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Investigation of
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Washington

1922

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INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING
LEGISLATION FOR THE RELIEF OF AGRICULTURE

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

SIXTY-SEVENTH CONGRESS
SECOND SESSION

PURSUANT TO

S. RES. 110

TO INVESTIGATE ACTIVITIES OF THE NATIONAL GRAIN
DEALERS' ASSOCIATION AND OTHER ORGANIZATIONS
ENGAGED IN COMBATING LEGISLATION FOR THE
RELIEF OF AGRICULTURE

Printed for the use of the Committee on Agriculture and Forestry



WASHINGTON
GOVERNMENT PRINTING OFFICE

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1922

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HENRY W. KEYES, New Hampshire, *Chairman*.
EDWIN F. LADD, North Dakota. ELLISON D. SMITH, South Carolina.
CHARLES C. WRIGHT, *Clerk Subcommittee*.

11

INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING
LEGISLATION FOR THE RELIEF OF AGRICULTURE.

MONDAY, JANUARY 23, 1922.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY.
Washington, D. C.

The subcommittee met, pursuant to call, at 10 o'clock a. m. in room 112, Senate Office Building, Senator Henry W. Keyes presiding.
Present: Senators Keyes (chairman), Ladd, and Smith.
Senator KEYES. This is an investigation authorized under Senate resolution 110. I will ask the stenographer to put a copy of the resolution in the record. (The resolution is here printed in full, as follows:)

[S. Res. 110, Sixty-seventh Congress, first session.]

[In the Senate of the United States. July 12, 1921. Mr. Kenyon submitted the following resolution, which was referred to the Committee on Agriculture and Forestry, August 9, 1921. Reported by Mr. Kenyon without amendment. August 22, 1921. Considered and agreed to.]

Whereas it is reported in reputable newspapers that on June 27, 1921, at Cincinnati, Ohio, a convention was held under the auspices of the National Grain Dealers' Association, at which a national organization was projected with the announced purpose of combating legislation for the relief of the farmers of the country, said national organization as reported consisting, or to consist, of the United States Chamber of Commerce and other chambers of commerce, the Wholesale Coal Dealers' Association, Wholesale Lumbermen's Association, Wholesale Implement Vehicle Association, the Millers' National Federation, the Flour Association, the National Feed Dealers' Association, the National Hay Association, the National Cotton Growers' Association, Growers of Potatoes and Produce, Wholesale Grocers' Association, country grain elevators, all grain exchanges, National Seedmen's Association, and also banks and exporters of grain; and

Whereas it is reported that at this meeting it was determined to institute an active campaign against the United States Grain Growers (Incorporated), a newly organized national cooperative marketing company for marketing the grain of the farmers of the country, and also to institute a campaign for defeating legislation desired by the organized farmers of the country; and Whereas it is reported that at this meeting a minimum fund of \$250,000 was authorized to be expended in opposition to the United States Grain Growers (Incorporated), and for the purpose of defeating legislation: Therefore be it *Resolved*, That the Committee on Agriculture and Forestry is directed to inquire into this matter fully; to ascertain the various subscribers to the alleged fund, the officers and executive agents appointed to carry out the program authorized by this convention and all facts and circumstances relating thereto, and to the efforts of business, commercial, or other organizations to defeat the cooperative marketing movement which the farmers of the country have instituted; also to inquire and ascertain whether the United States Grain Growers (Incorporated), and the farmers' program for cooperative marketing are, or are not, in the public interest.

TESTIMONY OF MR. JAMES E. BLACK.

Senator KEYES. Mr. Black, proceed in your own way. You are familiar with the resolution, I take it?

Mr. BLACK. Yes, sir.

Senator KEYES. And you desire to be heard upon it. State whatever you have to say.

Mr. BLACK. Mr. Chairman and members of the committee, it was not my intention to open this hearing. I had expected Mr. Boyle, of Indianapolis, to testify before me. He attended the Cincinnati meeting, which is the basis of this resolution. Since he is not here, I will go ahead and endeavor to give the development of the program inaugurated at Cincinnati by the Grain Dealers' National Association as far as we know of it from letters distributed by the special executive committee of the national association; from press releases; from accounts of meetings held; from letters issued through grain exchanges or State grain dealers' associations; and from addresses made either by Mr. Mansfield, chairman of the special executive committee, or others speaking for that committee. I shall try to give you a clear idea of the various activities on the part of the interests in the grain trade which have set about to discourage the farmer from organizing to handle and market his own farm products.

Senator KEYES. Will you give the stenographer your address, your occupation, and whom you are representing in this hearing?

Mr. BLACK. I am the statistician and economic investigator for the United States Grain Growers (Inc.), with headquarters in Chicago. My address is Chicago.

On June 27, 1921, the Grain Dealers' National Association held a special meeting in Cincinnati. At this meeting, according to press dispatches and reliable information from a gentleman who attended, it was decided to raise a \$250,000 fund to fight the United States Grain Growers, a newly organized farmers' cooperative grain marketing association, and to oppose the passage of what was referred to as class legislation. A temporary executive committee of five, headed by Mr. R. L. Mansfield, of Chicago, was appointed. Immediately thereafter Mr. Mansfield opened an office in Chicago, from which headquarters he launched his campaign against farmer cooperative endeavors. After one month's work, the Grain Dealers' National Association, on or about July 28, 1921, appointed a permanent special executive committee with Mr. Mansfield still retained as chairman. A permanent policy was announced for the continuance of the work.

During the first month's work, the cooperative grain marketing movement was attacked as socially and politically. Since the permanent policy was announced late in July, 1921, the committee has made strenuous efforts to avoid the demagogic effect of their initial program. I will give you for the record copies of letters and reports which we believe to constitute *prima facie* evidence of the trend of activities of the committee.

I wish, first, to present some newspaper clippings commenting on the Cincinnati meeting. This meeting has certainly had vast publicity, probably too much publicity to suit its sponsors. I do not believe the press accounts which appeared were written up in the way that the men who called the meeting wished the facts to be made public. A reporter with an instinct for what would be news and with an eye for the spectacular dwelt primarily in his copy, if not entirely, on the discussion in the meeting about raising a fund of \$250,000 to combat the cooperative marketing plan of the United States Grain Growers. The plan for a \$250,000 fund seems to have been directed primarily against the United States Grain Growers (Inc.), which had only been incorporated about two months, previously.

The first clipping is from the Cincinnati Enquirer, June 28, headed "War paint donned by grain men. To fight combine formed by United Growers. Distribution system of producers to be fought. Middlemen to raise \$250,000 for defense."

The article goes on and gives an account of the meeting. In this clipping it is stated that 68 invitations were sent out from the Grain Dealers' National Association at Toledo. The Grain Dealers' National Association, sponsors for the Cincinnati meeting, had issued invitations to a number of other organizations to attend. The article went on further to say that of the 68 organizations invited only 3 failed to send representatives. Twenty important grain exchanges were represented by one or more delegates, and the various other associations are named as having had representation at the meeting.

I do not need to read the names of those associations, because they are all named in the resolution under which you are conducting this hearing. (The newspaper clipping referred to is as follows:)

[From the Cincinnati Enquirer of June 28, 1921.]

WAR PAINT DONNED BY GRAIN MEN—TO FIGHT COMBINE FORMED BY UNITED GROWERS—DISTRIBUTION SYSTEM OF PRODUCERS TO BE FOUGHT—MIDDLEMEN TO RAISE \$250,000 FOR DEFENSE.

Representatives from every important grain exchange in the United States and from most of the leading national wholesale associations yesterday afternoon at the Hotel Sinton made preparations to combat the activities of the United Grain Growers, which was organized several weeks ago in Chicago and other Western cities, with its purpose to eliminate all middlemen.

These preparations, announced at the conclusion of the session by the Secretary of the Grain Dealers' National Association, Charles Quinn, Toledo, were the appointment of an executive committee of five members, with power to take steps to meet the emergency and decision to obtain funds with which to conduct propaganda work amounting to no less than \$250,000.

Sixty-eight invitations were sent out from the headquarters of the grain dealers' association in Toledo, announcing the meeting which took place yesterday. Of the 68 invitations mailed only 3 failed to send representatives. Twenty important grain exchanges were represented by one or more delegates, and the following associations had proper representation: Country Grain Dealers' Association, Wholesale Coal Dealers' Association, Wholesale Lumbermen's Association, Wholesale Implement Vehicle Association, Wholesale Grocers' Association, National Hay Association, Miller's National Federation, National Feed Dealers' Association, National Seed Men's Association, and the United States Chamber of Commerce.

Benjamin E. Clement, Waco, Tex., president of the Grain Dealers' National Association, presided at the session, and announced the appointment of the following executive committee: R. E. Mansfield, Chicago, Chairman; L. W. Forbell, New York; Joseph Lawther, Dallas, Tex.; John J. McHugh, Minneapolis; and Benjamin F. Hargis, Kansas City.

This executive committee, according to instructions given through the presiding officer, has the power to take steps to meet the emergency caused by the United Grain Growers organizing with the purpose of eliminating the middleman and substituting a distributing system of their own, and to appoint a general committee not limited in number. The appointment of a finance committee to obtain pledges of funds amounting to not less than \$250,000 to be used in combating the propaganda being disseminated by the United Grain Growers also was authorized.

Charles Quinn, secretary of the Grain Dealers' National Association, discussing the subject after the adjournment of the meeting, said the United Grain Growers, among other things, have formulated a legislative program in Washington which includes the passage of a bill by Congress to render them immune to the Sherman antitrust law, which if passed would give to them privileges denied any other body of American citizens.

"Such a bill," he said, "would enable them to form a monopoly in products of the farm, especially of grain, and any organization that gets a monopoly extends the price as far as possible. We are not afraid of their competition, as we are more efficient. If the Steel Trust requested the passage of such a bill they would all be thrown in jail. They are against the consumer and favor the interests of the producer alone."

A part of the United Grain Growers' legislative plan in Washington, as explained by Mr. Quinn, was the recent passage of the tariff bill which contained a stipulation excluding the importation of all foreign grains. Eight hundred million bushels of wheat are grown in the United States, of which between 500,000,000 and 600,000,000 bushels are consumed at home, while the rest is available for export, Mr. Quinn said.

Contents of a resolution adopted just prior to the close of the meeting were as follows:

"The grain trade and general business interests are directly menaced by adverse legislation—both State and National—arising on demand of organized special interests.

"We hold all class legislation to be vicious, indefensible, and inimical to the general welfare.

"We deplore the attempt of special interests by class legislation to break down the present competitive, individualistic business principle and the substitution thereof by bureaucratic control.

"This menace of adverse legislation is the result of widespread dissension, of misinformation, and false economic theories.

"It is the duty of every loyal citizen to oppose movements which are destructive of the best interests of this country.

"Therefore be it resolved, that the representatives of the organizations here assembled pledge themselves to a campaign of education for the correction of the erroneous impressions which are widely prevalent and which have resulted from the spread of these false doctrines, and that we pledge ourselves to organized opposition to all class legislation, both State and National."

Announcement was made that the meeting was held in Cincinnati because of its central location, not because of any other significance.

Mr. BLACK. Here is another clipping from the Houston (Tex.) Post, dated June 20, headed "New organization would combat all class legislation," and in this article it is stated that the grain trade is about to begin a campaign against the grain growers. This is the reason why our organization is interested in this hearing—we had been specifically singled out for attack. The clipping goes on to say that a central organization to do the work, such as providing speakers and educational literature, will be established at Chicago at once. The clipping then gives the names of the executive committee which had been chosen to do this work.

(The clipping referred to is as follows:)

[From the Houston (Tex.) Post, June 20, 1921.]

NEW ORGANIZATION WILL COMBAT ALL CLASS LEGISLATION—DALLAS MAN ON COMMITTEE GRAIN GROWERS IMMEDIATE OBJECT OF ATTACK.

[Associated Press report.]

CINCINNATI, OHIO, June 28.

A national organization pledged to combat all class legislation wherever it appears in this country was formed here Tuesday, with Joseph E. Lawther, of Dallas, Tex., and B. F. Hargis, of Kansas City, Mo., among those named on a temporary executive committee.

It was stated that an active campaign in opposition to the United States Grain Growers (Inc.) will be instituted at once. The movement took form under the auspices of the National Grain Dealers Association. Representatives of business organizations from all over the country were present, and while the immediate object of attack will be made against the United States Grain Growers' reported campaign to pool the farmers' grain under a six-year contract, the scope of the organization as planned is much wider.

LEGISLATION VICTIMS.

Resolutions adopted declared that the grain trade and general business interests are directly menaced by adverse legislation, both State and national, arising on demand of organized special interests. The resolutions declare such legislation to be vicious and inimical to the general welfare, and "deplore the attempt of special interests by class legislation to break down the present competitive individualistic business principle and the substitution thereof of bureaucratic control."

It was said practically all of the great business associations of the country which are concerned in any way with the handling of foodstuffs, either in the raw or finished state, are expected to join the association. These include the United States Chamber of Commerce and other chambers of commerce, the Millers' National Federation and the Flour Association, the National Feed Dealers' Association, growers of potatoes and produce, Wholesale Grocers' Association, country grain elevators, all State grain dealers' associations, all grain exchanges, country banks, and exporters on both the Atlantic and Pacific coasts.

CENTRAL BODY AT CHICAGO.

The work of organization will be carried on by the Grain Dealers' National Association, supported by the interests which were represented at the meeting Tuesday.

A central organization to do the actual work, such as providing speakers and educational literature, will be established at Chicago at once.

Others named on the executive committee are R. I. Mansfield, chairman, Chicago; L. W. Forbell, New York City; and John J. McHugh, Minneapolis.

Mr. BLACK. The next clipping I wish to offer is from the Journal of Commerce, from New York City, dated June 28, headed "Grain growers' association to be fought. National organization is formed in Ohio." This clipping also gives the names of the members of the committee which was instructed to go ahead with the work. The names are as follows: R. I. Mansfield, chairman, Chicago; L. W. Forbell, New York City. Mr. Forbell's address, I believe, is the New York Produce Exchange. Joseph E. Lawther, Dallas, Tex.; John J. McHugh, Minneapolis. Mr. McHugh is the secretary of the chamber of commerce of Minneapolis. B. F. Hargis, Kansas City, Mo. Mr. Hargis last year was president of the Kansas City Board of Trade. I do not know whether he still holds that position or not.

(The newspaper clipping is as follows:)

[From the New York Journal of Commerce, June 28, 1921.]

GRAIN GROWERS' ASSOCIATION TO BE FOUGHT—NATIONAL ORGANIZATION IS FORMED IN OHIO—MOVEMENT BEGUN UNDER AUSPICES OF NATIONAL GRAIN DEALERS' ASSOCIATION—COTTON GROWERS AND WHOLESALE GROCERS MAY AFFILIATE.

CINCINNATI, JUNE 27.

A national organization pledged to combat all class legislation wherever it appears in this country was formed here to-day. It was stated that an active campaign in opposition to the United States Grain Growers (Inc.) will be instituted at once. The movement took form under the auspices of the National Grain Dealers' Association. Representatives of business organizations from all over the country were present, and while the immediate attack will be made against the United States Grain Growers' reported campaign to pool the farmers' grain under a six-year contract, the scope of the organization as planned is much wider.

Resolutions adopted declared that the grain trade and general business interests are directly menaced by adverse legislation, both State and National, arising on demand of organized special interests. The resolutions declare such legislation to be vicious and inimical to the general welfare, and "deplore the attempt of special interests by class legislation to break down the present competitive individualistic business principle and the substitution thereof of bureaucratic control."

It was said practically all of the greater business associations of the country which are concerned in any way with the handling of foodstuffs, either in the raw or finished state, are expected to join the association. These include the United States Chamber of Commerce and other chambers of commerce, the Millers' National Federation and the Flour Association, the National Feed Dealers' Association, the National Hay Association, the National Cotton Growers' Association, growers of potatoes and of produce, the Wholesale Grocers' Association, country grain elevators, all State grain dealers' associations, all grain exchanges, country banks, and exporters on both the Atlantic and Pacific coasts.

A central organization to do the actual work, such as providing speakers and educational literature, will be established at Chicago at once. A temporary executive committee was appointed, as follows: R. I. Mansfield, chairman, Chicago; L. W. Forbell, New York City; Joseph E. Lawther, Dallas, Tex.; John J. McHugh, Minneapolis; and B. F. Hargis, Kansas City, Mo.

Mr. BLACK. Another clipping which I wish to have placed in the record is from the Commercial Tribune, of Cincinnati, Ohio, of June 28, 1921, headed "Grain dealers ready to fight farmers' attack.—National association decides to finance central body to acquaint producers with distribution system."

It gives an account of the meeting and comments on the address made by Mr. Boyle, who is a representative of a farmers' cooperative-marketing agency, and who was at the Cincinnati meeting unknown to the men who had called the meeting together.

When it was learned that Mr. Boyle was present the resolutions which had been distributed were taken and under the pretense that there was something wrong with them; some gross errors found in them. It was announced that the resolutions would have to be revised. No revised resolutions were

given out while Mr. Boyle was there. According to a statement made in a letter to our office, Mr. Boyle reported that two sets of resolutions were presented to the meeting, the first being intended as a guide to the actions of the organizations affiliated in the meeting, the second intended for general publication. A resolution appearing in the Cincinnati Enquirer clipping was practically the same as the resolution that Mr. Boyle saw while he was in the meeting.

Senator KEYES. Have you a copy of that resolution? If you have, present it in your own way when you come to it.

Mr. BLACK. It is in the Cincinnati Enquirer clipping that I have already put in the record.

(The newspaper clipping from the Cincinnati Commercial Tribune referred to is as follows:)

[From the Cincinnati Commercial Tribune, June 28, 1921.]

GRAIN DEALERS READY TO MEET FARMERS' ATTACK—NATIONAL ASSOCIATION DECIDES TO FINANCE CENTRAL BODY TO ACQUAINT PRODUCERS WITH DISTRIBUTION SYSTEM.

To fight the cooperative movement among farmers, the Grain Dealers' National Association, in session at the Hotel Sinton, yesterday afternoon unanimously adopted two resolutions, one providing for a central organization in Chicago, financed by a sum not less than \$250,000, to bring to the attention of the producers the merits of the distribution system of the grain dealers, and the other opposing all class legislation.

The association is an organization of grain dealers from all parts of the United States, with headquarters at Toledo. E. B. Clement, of Waco, Tex., president, presided over the meeting. Charles Quinn, of Toledo, is secretary.

To this meeting the association invited delegates from all American grain exchanges, all State grain dealers' associations, all the chambers of commerce of the United States and all the associations of millers, feed, and seed distributors, wholesale grocery men, lumber, and coal dealers. Sixty-five delegates attended.

According to Secretary Quinn the meeting was called to formulate a program to meet the propaganda of the farmers' associations, such as the Non-Partisan League of North Dakota and the National Grain Growers (Inc.), which, he says, was formed to eliminate middlemen, not by competition in trade, but by legislation. He said that the farmers were endeavoring to have Congress pass a bill to make the organization immune from the Sherman and other anti-trust acts, and that their purpose in doing this was to enable them to create a monopoly in food products. In answer to this plan of the farmers the resolution opposing class legislation was adopted.

Addressing the delegates, President Clement said: "The grain dealers are not opposed to the producers. Our aim is to serve the interests of both producers and consumers, and we render a service to both. The farmers' interests are bound up with ours."

In order to spread propaganda for the grain dealers and to fight the cooperative movements, the association adopted a resolution calling for the establishment of a central organization in Chicago. A committee of grain dealers will have charge of this and will endeavor to make the program outlined in the meeting a reality.

Mr. Boyle, a representative of the farmers' cooperative movement in Indiana, spoke at the afternoon session on the purpose of the cooperatives. He said that history showed that evils always gave rise to such movement, and when the evils ceased, they died out. He praised the honesty and patriotism of the farmer and denied that he stood for socialism, bolshevism, or anarchism in any form.

In the morning session several grain dealers spoke. Percy E. Goodrich, Winchester, Ind., former president of the National Grain Association, said that the plan of the cooperative organizations was "bolshevistic and anarchistic."

Other speakers were R. I. Mansfield, of Chicago; John G. McHugh, secretary of the Minneapolis Chamber of Commerce, and A. E. Reynolds, chairman of the legislative committee of the National Grain Association.

The program of the nation-wide fight the association will wage against the farmers' cooperatives was drafted by Messrs. Mansfield, McHugh, and Reynolds and Joseph E. Lawther, of Dallas; F. L. Young, of Lansing, Mich.; L. W. Forbell, of New York, and J. A. Moffett, of St. Louis.

Mr. BLACK. Every one of the members of this original committee that was charged with conducting the work is prominently connected with some grain exchange or commission house. Mr. Mansfield is a floor man on the Chicago Board of Trade for Bartlett, Frazier & Co. Mr. Hargis was president of the Board of Trade of Kansas City, Mo. Mr. McHugh was Secretary of the Chamber of Commerce of Minneapolis. They are all closely allied with the grain exchanges or grain dealers of the old-line system.

Senator LADD. Is it true that the man from Minneapolis withdrew from the committee afterwards?

Mr. BLACK. It was so reported in press dispatches early in July. I have here a letter written to our office by Mr. E. E. Reynolds, of Indianapolis, treasurer of the Indiana Federation of Farmers' Associations. This is the organization with which Mr. Boyle is associated, and the letter tells of the report of the Cincinnati meeting made to Mr. Reynolds by Mr. Boyle immediately after his return from Cincinnati. I do not know that Mr. Reynolds wants the letter put in. Probably it would be better if we waited until Mr. Boyle appears here and states the facts of the case in his own way. He would be able to give you an account of the meeting in more accurate detail than I can, so I had better leave the letter out of the record at this time.

There is another clipping here that gives a good account of the meeting. It appeared in the Herald-Examiner, of Chicago, on June 29, and is headed " \$250,000 war fund to fight grain co-op." Subhead, "R. I. Mansfield, of Chicago, to direct campaign against farmers."

Senator KEYES. I understand you were not at the meeting. Had you better not leave it to the committee to decide whether that is a good account of the meeting?

Mr. BLACK. The reason I say it is a good account of the meeting is due to the fact that since it appeared in the papers I have discussed several times with Mr. Boyle what actually took place at Cincinnati, and this account is quite similar to what he has told me. I was, therefore, prompted to say it was a good account.

(The clipping referred to is as follows:)

[From the Herald-Examiner, Chicago, June 29.]

"WAR FUND" OF \$250,000 TO FIGHT GRAIN CO-OP.—R. I. MANSFIELD, OF CHICAGO, TO DIRECT CAMPAIGN AGAINST FARMERS.

CINCINNATI, June 29.

A \$250,000 "war chest" to combat the activities of the United Grain Growers, the farmers' cooperative grain marketing organization, was pledged here to-day by representatives from every important grain exchange in the United States and from most of the leading national wholesale grain associations. The action was announced to-day at the conclusion of the convention of the Grain Dealers' National Association by the secretary, Charles Quinn, of Toledo.

An executive committee of five members was named with powers to handle funds and conduct propaganda work against the grain growers. The committee comprises R. I. Mansfield, Chicago, chairman; L. W. Forbell, New York; Joseph Lawther, Dallas, Tex.; John J. McHugh, Minneapolis, and Benjamin F. Hargis, Kansas City.

WILL DIRECT FIGHT.

This executive committee, according to instructions given through the presiding officer, has the power to take steps to meet the emergency caused by the United Grain Growers organizing with the purpose of eliminating the middleman, the substituting a distributing system of their own. The chairman was empowered to appoint a general committee not limited in number.

Secretary Quinn, discussing the subject after the adjournment of the convention, said the United Grain Growers, among other things, has formulated a legislative program in Washington which includes the passage of a bill by Congress to render them immune from the Sherman anti-trust law, which, if passed, would give to them privileges denied any other body of American citizens.

"Such a bill," he said, "would enable the American farmer and grain producer in general to form a monopoly in products of the farm, especially of grain, and any organization that gets a monopoly extends the price as far as possible.

DOESN'T FEAR COMPETITION.

"We are not afraid of their competition, as we are more efficient. If the Steel Corporation requests the passage of such a bill its officers would all be thrown in jail. Such legislation is against the consumer and favors the interests of the producer alone."

Twenty important grain exchanges were represented at the convention, together with the following trade associations: County Grain Dealers' Association, Wholesale Coal Dealers' Association, Wholesale Lumbermen's Association, Wholesale Implement Vehicle Association, Wholesale Growers' Association, National Hay Association, Millers' National Federation, National Feed Dealers' Association, National Seed Men's Association, and the United States Chamber of Commerce.

Mr. BLACK. In connection with your request, Senator, for a copy of the resolution adopted at the Cincinnati meeting, I wish to put into the record now a copy of the report of the committee appointed by Chairman Clement to recommend to the meeting the plan to meet the present emergency of the grain world. This, according to the letter of the National Hay Association transmitting it, is a copy of the resolution drawn up at the meeting in Cincinnati on June 27. It was sent to Mr. Howard Leonard, president of the Illinois Agricultural Association, in response to a letter that he wrote asking the National Hay Association if its representatives were in attendance at that meeting.

Senator KEYES. Do I understand that that is a copy of the resolution that was passed at that meeting?

Mr. BLACK. That is my understanding, according to the letter which is attached. The letter of the National Hay Association says:

"I think the most definite reply that I can possibly make to your letter is to send you a copy of the resolutions drawn up at the meeting in Cincinnati on June 27."

The "copy of the resolutions" referred to is in the form of a committee report, and I will put it in the record along with the hay association's letter transmitting it. The letter is signed by J. Vining Taylor, secretary of the National Hay Association, so I assume that Mr. Taylor was at the meeting.

Senator KEYES. You understand that is a copy of the resolution which was drawn up at the meeting?

Mr. BLACK. Yes; in the form of a committee report. Mr. Boyle can probably verify that.

(The letter and attached document are as follows:)

THE NATIONAL HAY ASSOCIATION,
Winchester, Ind., July 5, 1921.

MR. HOWARD LEONARD,
President Illinois Agricultural Association, Chicago, Ill.

DEAR SIR: Your letter of the 1st received.

I think the most definite reply that I can possibly make to your letter is to send you copy of the resolutions drawn up at the meeting in Cincinnati on June 27.

I think you are laboring under a misapprehension of just what the Grain Dealers' National and the other organizations are trying to do. We do not believe that it is fair to put county agents in the different counties for the purposes of assisting in producing and they in turn devote all their attention to an attempt to eliminate the legitimate merchant. We are not necessarily against the growers' organization—we believe that every industry in the United States should be organized—but so far as their organizing for the purpose of eliminating the middleman, we are strictly opposed to same.

If this does not answer your inquiry fully, kindly advise, and we shall try to come out in the open with whatever we may have to say.

Yours, truly,

J. VINING TAYLOR, *Secretary*.

REPORT OF COMMITTEE APPOINTED BY CHAIRMAN CLEMENT TO RECOMMEND TO THE MEETING A PLAN TO MEET THE PRESENT EMERGENCY IN THE GRAIN WORLD.

Your committee begs leave to report as follows:

We recommend the formation of a central organization, with headquarters at Chicago, to handle the emergency work. That the whole movement be sponsored and undertaken by the Grain Dealers' National Association, supported by other allied interests, as follows: The National Millers' Association and Flour Associations, National Feed Dealers' Association, National Hay Association, National Cotton Growers' Association, Potato Growers' Association, Wholesale Produce Association, Lumber and Coal Association, wholesale distributors, such as Wholesale Growers' Association, all country elevators, country banks, United States Chamber of Commerce, also chamber of commerce of all States, also exporters of both Atlantic and Pacific coasts.

That to meet the present situation, this meeting appoint a temporary executive committee of five, with power to act, who shall at once take steps to meet the pressing emergency now confronting the grain world.

That a general committee, not limited in number, representing the grain trade and all allied interests, be appointed to further take up the work contemplated by this meeting. That this general committee shall organize immediately and shall then elect an executive committee, who shall assume active direction of the work superceding the temporary executive committee mentioned above. Also that a finance committee shall be appointed to-day to secure pledges for funds with which the work shall be prosecuted, and we further recommend that the amount to be raised shall be at a minimum of \$250,000.

That the general committee shall undertake at once the organization of counties in all States to which our movement extends.

We recommend that the report of this committee be adopted by roll call of the delegates to this meeting.

In submitting the above report the shortness of time at the committee's disposal prevents its being more complete, but outlines to the meeting its ideas relative to the launching of a movement intended to be wide in its scope for the education of the entire business interests of the country, in order to prevent legislation inimical to our general business interests, and suggests immediate adoption of this temporary plan.

Respectfully submitted.

R. I. MANSFIELD, *Chairman*.
E. A. REYNOLDS,
JOHN McHUGH,
JOE LAWTHIER,
L. W. FORBELL,
F. L. YOUNG.

MR. BLACK. On July 3, in the Minneapolis (Minn.) Tribune, there appeared an article under the heading "C. of C. vetoes launching war on United States grain growers."

(The article referred to is as follows:)

[From the Minneapolis Tribune, July 3, 1921.]

C. OF C. VEToes LAUNCHING WAR ON UNITED STATES GRAIN GROWERS.

The Minneapolis Chamber of Commerce will enter no fight at this time in opposition to the cooperative marketing system of the United States Grain Growers (Inc.), the chamber directors announced yesterday. The decision was reached after John G. McHugh, secretary of the chamber, reported on the meeting at Cincinnati recently, where the movement to oppose the marketing plan was originated. Following the conference yesterday the directors announced that "it would be inadvisable at this time for the chamber of commerce to take part in the report of the committee of seven." R. I. Mansfield, chairman of the committee of seven, was so notified.

MR. BLACK. We know of no other reason for Mr. McHugh having withdrawn from the original committee appointed at Cincinnati than expressed in this

clipping. The chamber of commerce directors said they would not take part in it at that time.

In the announcements that were given out to the press as to those in attendance at the meeting at Cincinnati were included the names of the several organizations which are named in Senator Keyes's resolution authorizing the investigation you are now making. In order to check up on those in attendance and to secure, if possible, the reasons for their going to this meeting, Mr. Howard Leonard, president of the Illinois Agricultural Association, the Illinois branch of the American Farm Bureau Federation, wrote a letter to the secretaries of all the organizations named, asking if it was true that they were actually opposed to the farmers' grain marketing movement. In the letters that were received in answer to that, were such phrases as these: "We took no part in the meeting," or "Never heard of the meeting until it was called to my attention," "Had nothing to do with the creation of the fund." Several organizations specifically and promptly denied all connection with the Cincinnati meeting, and we have letters from such organizations which I will put in the committee's hands. The first one is from the American Coal Association.

Senator KEYES. That is one of the associations mentioned in the resolution? Mr. BLACK. Yes, sir.

Senator KEYES. I find the name of the "Wholesale Coal Dealers' Association." Mr. BLACK. "Wholesale Coal Dealers' Association"? This is "The American Wholesale Coal Association" here.

Senator KEYES. Is that the same association. It is rather important to get these names correct, I think.

Mr. BLACK. It was given to me as being the same concern. I can see that the name on the letterhead is different from that appearing in the Senate resolution.

The second letter is from the Chamber of Commerce of the United States of America.

Senator KEYES. I suppose that is the same as the United States Chamber of Commerce?

Mr. BLACK. Yes.

The next one is the American Wholesale Lumber Association.

The next one is the National Wholesale Grocers' Association of the United States.

The next one is the American Feed Trade Association.

Another one here is from the American Feed Manufacturers' Association.

The last one which I have here is the National Implement and Vehicle Association.

The writers of these letters say, in most part, that they were at the meeting, but more in a personal than in an official capacity.

I wish particularly to call your attention to the letter written by Mr. Leonard to the secretary of the National Implement and Vehicle Association, who not only said that he was not there but wrote a letter to Mr. Quinn, secretary of the National Grain Dealers' Association, calling him to task for giving out the name of his association as being one which was present.

Senator KEYES. Mr. Black, it seems to me to be pretty important to know about these associations, because in the resolution the Wholesale Vehicle Association is referred to. Now, if there is, of course, another association, a national association, which is not this association referred to in the resolution, it ought to be cleared up.

Mr. BLACK. I was going to say that Mr. Sameit, the secretary of this association, wrote to Mr. Quinn asking how their name was included, and Mr. Quinn replied to Mr. Sameit as follows:

"In this communication you state that the name of the National Implement and Vehicle Association was given as one of the organizations represented at the meeting. I did not authorize the use of your name in this or any other article. Quite naturally I brought with me to Cincinnati a list of the organizations to which invitations had been extended. The reporter must have looked over this list, and in that way secured your name. I am glad to give you this explanation, because I do not want to be a party to any misrepresentation whatever."

Now, I see the difference in the name on the letterhead and the wording of the Senate resolution, and would have to take that up with our information department to correct the point that you raise.

Senator KEYES. I think you had better take up all of these names, so that there will not be any doubt about it, because I can understand that there might be two associations. There might be a Wholesale Vehicle Association, as stated in the resolution, and there might be this association you referred to, and they might not be the same. One might have been present at the meeting and the other not. I think those things ought to be cleared up.

Mr. BLACK. Possibly it could be cleared up better by the other side than by ourselves. They would have the invitations. Mr. Quinn, when he appears, probably can clear that up more satisfactorily than I can at this time.

Senator KEYES. Very well.

(The letters referred to are as follows:)

AMERICAN WHOLESALE COAL ASSOCIATION,
Chicago, Ill., July 11, 1921.

Mr. HOWARD LEONARD,

President Illinois Agricultural Association, Chicago, Ill.

DEAR SIR: Your letter of July 1 to Mr. Merryweather has been referred to me for answer.

Mr. Merryweather is ignorant of the matter. I never heard of it until it was called to my attention. Mr. William R. Coyle, the president of the association, has been in the East during the last month. The matter has never been brought to the attention of our executive committee, and I am certain that the association has taken no stand officially or unofficially on this question.

I hope this answers your inquiry.

Very truly, yours,

G. H. CUSHING, Managing Director.

CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA,
Washington, D. C., July 7, 1921.

Mr. HOWARD LEONARD,

President Illinois Agricultural Association, Chicago, Ill.

DEAR SIR: As you will know, the Chamber of Commerce of the United States is composed of commercial and trade organizations. The Grain Dealers' National Association, to which you refer in your letter of July 1, is not a member.

The article in the Chicago Herald-Examiner, which you mention, has not come to our attention. Having seen some other articles, however, we have obtained a copy of a statement apparently issued to the press. In this statement we find our name but once and in the following language: "Organizations which have or are expected to pledge support to the central organization include the Chamber of Commerce of the United States, local chambers of commerce," etc.

We can assure you that the Chamber of Commerce of the United States has not taken any action with respect to the matter and has nothing to do with the creation of the fund you mention. Our organization could take action in such matters only by virtue of an attitude taken by our constituent organization members through referendum or through vote of delegates at an annual meeting. There has been no such action on this subject.

At the meeting in Cincinnati a member of our staff was present, but wholly for purposes of information and by reason of the interest of our domestic distribution department in all questions of distribution. In other words, attendance of this member of our staff was entirely unofficial and was clearly stated to be of such a nature.

Very truly, yours,

D. A. SKINNER, Secretary.

AMERICAN WHOLESALE LUMBER ASSOCIATION,
Chicago, July 25, 1921.

Mr. HOWARD LEONARD,

President Illinois Agricultural Association, Eureka, Ill.

DEAR MR. LEONARD: On returning to the office our secretary, Mr. Larkins, handed me the correspondence passing between this office and yourself.

This is the first information I have had relative to the meeting you speak of in which we were supposed to have participated, unless I saw it casually in the

newspaper, and at this moment don't remember that. In any event, I see no place where we would be interested in such a meeting, and as Mr. Larkins has said, I, of course, do not attempt to inject any influence from the American Wholesale Lumber Association where we had no interests. I see no reason why the farmers should not combine to do anything they care to do. I, of course, having lived among the farming people all of my life, know of a large number of instances where they have been taken advantage of by the so-called cooperative plans. On the other hand, I think one has been successful now and then.

It may be that we can be of some service to your organization, and if so we should be very glad.

I take it from the letterhead that your's is largely a political organization, if the districts referred to cover political districts. We are not familiar with your undertaking or what you expect to accomplish, and would be glad to have further information.

Thanking you for the interest shown, we are,

Yours, truly,

L. R. PUTMAN.

NATIONAL WHOLESALE GROCERS' ASSOCIATION OF THE UNITED STATES.

New York, July 6, 1921.

MR. HOWARD LEONARD,

President Illinois Agricultural Association, Chicago, Ill.

MY DEAR MR. LEONARD: I want to acknowledge receipt of your letter of July 1 regarding the story that you have read in the Chicago Herald-Examiner carrying an article referring to the recent meeting called by the Grain Dealers' National Association in Cincinnati.

I am glad of the opportunity to make the position of this association clear to you and I appreciate your co-try in making the opportunity for us.

This association was invited by the grain dealers' organization to send a representative to a meeting to be held in Cincinnati on the date mentioned. A member of our executive committee in a nearby city attended this meeting as an invited guest to report to us the purpose of the meeting. He did not take part in the deliberations of the meeting and had no responsibility regarding the action of the meeting. He attended simply as an invited guest and onlooker. If any action is taken by this association one way or another, it must be taken by the executive committee. There has been no meeting of the executive committee since that time, and so this association is not committed in any way. I am sure that the Grain Dealers' National Association is thoroughly aware of this situation, regardless of how the newspapers may have reported our attendance.

This statement would not be complete, however, if I neglected to assure you that this association has definitely and vigorously opposed the enactment of laws, either State or National, conferring privileges upon certain classes. With this in mind, I am attaching a copy of a circular recently issued by this association to the wholesale grocers of the United States.

I would appreciate it if you would give me your impressions of our position after you have read the circular.

Yours, very truly,

M. L. TOULME, Secretary.

[Legislative circular service.]

NATIONAL WHOLESALE GROCERS' ASSOCIATION OF THE UNITED STATES.

New York City, May 26, 1921.

FARMERS' ORGANIZATIONS—CONGRESS BILL PASSED HOUSE—IN SENATE COMMITTEE.

Please refer again to general legislative circulars Nos. 20 and 23, of April 30 and May 10, describing H. R. 2373, by Mr. Volstead, relating to farmers' organizations. As you know, this bill has passed the House and is now pending in the Senate Committee on the Judiciary. Please note that S. 983, by Senator Capper, now pending in the Senate Committee on Agriculture and Forestry, contains identical provisions.

Vice President Calvin Coolidge, speaking at the dinner given to President Harding in New York City on Monday, May 23, very aptly said:

"All liberty is based on justice, the fair dealing between man and man. It is the law of usefulness. Its basis is equality. Any class, any organization

undertaking to secure for itself privileges not open to any other class or organization is hostile to American institutions and a menace to American liberty."

This association never has opposed and does not now oppose organizations of farmers, growers, or other agricultural interests, but the National Wholesale Grocers' Association and its members, as citizens and consumers, are most vigorously and righteously opposed to the un-American methods that have now and again been used by a few of these organizations, and we earnestly protest against any special law granting privileges to one class of citizens that are denied to others under existing statutes.

If it be said that Mr. Volstead's bill does not change the Sherman Act of 1890 and other existing statutes forbidding combinations in restraint of interstate commerce, then surely the friends of the bill, if they be sincere, will not have the slightest objection to an amendment making that point unmistakably clear.

Or if it be said that the bill permits these combinations only in so far as prices are not unduly enhanced by them, then for the benefit of all citizens as distinguished from a particular class let us have a similar amendment to the Sherman Act that shall permit other citizens to do what these growers are to be permitted to do, provided such other citizens do not unduly enhance prices.

Since the growers, in the event of any attack, are to have the benefit of a hearing before the Secretary of Agriculture, surely it would be fair to provide that other citizens in like cases shall first have a hearing before the Secretary of Commerce instead of the customary prosecution by the United States Department of Justice or indictment by a grand jury.

We know that as citizens you feel the most vital interest in this measure, and we know that many times during the past two years you have brought your facts and arguments upon this important subject before your Representatives in Congress and before the Senators from your State, but it will not do for you to rest content with what you have already done. The bill is being most vigorously urged by powerful agricultural interest. Please act now. It is highly important that you keep this matter before the Senators from your State and that you present your facts and arguments forcefully. Do not fail to urge that if the passage of the bill is finally determined by the Senate to be necessary for the general welfare as distinguished from the private advantage of a certain class of citizens, then insistently urge that it shall at least be amended to include the following:

"This act shall not be construed to exempt such associations or their members for violations of any statute of the United States, nor to deprive the Attorney General of authority thereunder."

This is a simple request to exclude political favoritism in this country—that our laws shall be equally enforced as respects all citizens. In the interest of justice and fair play do your utmost to preserve equal rights and opportunities to all.

FRED R. DRAKE,

Chairman Pure Food and Legislative Committee.

M. L. TOULME, Secretary.

AMERICAN SEED TRADE ASSOCIATION,

Cleveland, Ohio, July 5, 1921.

ILLINOIS AGRICULTURAL ASSOCIATION, Chicago.

GENTLEMEN: In the absence of any report of the Grain Dealers' Association at Cincinnati, I am unable to answer your question. The matter was not discussed anywhere at our convention in St. Louis, except when it was presented to our executive committee, but they did not report it out for consideration, and no delegate was appointed to represent us officially.

There may have been some of our members there, but I have seen no report from them nor about the meeting except your letter.

I doubt very much if our association is in position to pledge any sum for anything outside our own association work. We have quite enough of it to do at present, at least.

Yours, truly,

C. E. KENDEL, Secretary.

Mr. C. E. KENDEL,

Secretary American Seed Trade Association,
Cleveland, Ohio.

JULY 1, 1921.

DEAR SIR: I have before me a copy of the Chicago Herald-Examiner of June 29, 1921, which carries an article dated at Cincinnati, June 28, headed " \$250,000 war fund to fight grain cooperation."

Further in the article this paragraph appears:

"This action was announced to-day at the conclusion of a convention of the Grain Dealers' National Association by the secretary, Charles Quinn, of Toledo."

Again, we find in the list of those represented at this meeting the name of your association. We are anxious to know if your organization participated in this convention and if the statement in the news article correctly represented the attitude of the United States Chamber of Commerce toward cooperative marketing and if the action creating a fund of \$250,000 to "conduct propaganda war against the grain growers" was taken with the approval of your association.

We would appreciate a frank and full statement by you as to your attitude toward the action taken at this meeting.

Very truly, yours,

-----, President.

AMERICAN FEED MANUFACTURERS' ASSOCIATION,
Chicago, Ill., July 5, 1921.

Mr. HOWARD LEONARD,

President Illinois Agricultural Association, Chicago.

DEAR SIR: I have yours of July 1, and in reply have to advise that I have not seen the article in the June 29 issue of the Chicago Herald-Examiner referred to by you.

I have to advise, however, that while it is possible there may have been some members of the American Feed Manufacturers' Association at the Cincinnati conference, there was no delegation appointed by this association to officially represent such association at said conference.

Very truly, yours,

L. F. BROWN, Secretary.

NATIONAL IMPLEMENT AND VEHICLE ASSOCIATION,
Chicago, Ill., July 5, 1921.

Mr. HOWARD LEONARD,

President Illinois Agricultural Association, Chicago.

DEAR SIR: In reply to your inquiry of the 1st relative to an article published in the Chicago Herald-Examiner June 29, 1921, we wish to state that our association was not officially represented at a recent convention of the above-named organization in Cincinnati, and we took the trouble of informing their secretary on two different occasions, in response to an invitation to attend, that we would not be represented nor participate in their convention. Under the circumstances, our name has been used without authority, and we are asking Mr. Quinn, the secretary of the Grain Dealers' National Association, for an explanation.

Our attitude toward the agricultural industry is well known, and we take pleasure in referring you to Mr. J. W. Coverdale, secretary of the American Farm Bureau Federation, for such information as you may desire in this connection. Mr. Coverdale addressed a large meeting of our members in Chicago on June 15, during which a member of our executive committee unequivocally announced our desire to cooperate with the bureau in several matters in which both organizations are mutually interested. We fully realize that our industry can only prosper as the farmer prospers, and while we are frank to state that our views differ on several propositions of national legislation, yet on the whole we are substantially in accord for perfectly obvious reasons, primarily because our interests are pretty much the same.

Trusting that we have given you the desired information, and assuring you that we appreciate your courtesy in bringing this matter to our attention, we remain,

Yours, truly,

H. J. SAMEIT, Secretary.

NATIONAL IMPLEMENT AND VEHICLE ASSOCIATION
Chicago, July 9, 1921.

Mr. HOWARD LEONARD,

President Illinois Agricultural Association, Chicago, Ill.

DEAR SIR: Supplementing our letter of the 5th instant, and replying further to your inquiry of the 1st, we inclose for your further information a copy of a communication dated July 6, from Charles Quinn, secretary of the Grain Dealers' National Association, Toledo, Ohio.

Trusting that this communication will clear up the matter to your entire satisfaction, we remain,

Yours, very truly,

H. J. SAMEIT, Secretary.

GRAIN DEALERS' NATIONAL ASSOCIATION,
Toledo, Ohio, July 6, 1921.

Mr. H. J. SAMEIT,

Secretary National Implement and Vehicle Association, Chicago, Ill.

DEAR SIR: I have your favor of July 5 in which you draw my attention to an article that appeared in the Chicago Herald-Examiner of June 29 relative to the meeting that was held in Cincinnati on June 27, and which meeting was called by the Grain Dealers' National Association.

In this communication you state that the name of the National Implement and Vehicle Association was given as one of the organizations represented at the meeting. I did not authorize the use of your name in this or any other article. Quite naturally, I brought with me to Cincinnati a list of the organizations to which invitations had been extended. The reporter must have looked over this list and in that way secured your name. I am glad to give you this explanation, because I do not want to be a party to any misrepresentation whatever. There was a big attendance at the Cincinnati meeting. A large number of organizations were represented. I was busy at the time the reporter came in for a story. I was not aware that any of them had taken this list with the intention of printing it.

Yours, very truly,

CHARLES QUINN, Secretary.

Mr. BLACK. The next thing I wish to discuss is the news letter which was sent out on July 13, 1921, the day after the resolution No. 110 was introduced by Senator Kenyon. It is written on the letterhead of the Inter-Ocean Syndicate, a news agency, at 167 East Ontario Street, Chicago. It goes on to tell about the resolution being introduced. It quotes Mr. Mansfield as saying: "We in the grain business can see no essential difference between the present vast pooling scheme and the disastrous régime of the Non-Partisan League in North Dakota."

The quotation says further that—

"The prosperity of the grain business depends on the prosperity of the farmer. To protect ourselves we must protect him."

There is also quoted a paragraph about the plan of the grain growers, etc. I give you this Inter-Ocean Syndicate news story to show you the opening wedge of the campaign against the United States Grain Growers and the inauguration of a campaign that was directed particularly against the development of the work of our organization in building up its membership among the grain farmers, and against our being able to actually put into operation our grain marketing plan.

(The news letter referred to is as follows:—)

(If this story interests you we shall be glad to have you use it.)

"CHICAGO, July 13.—R. I. Mansfield, chairman of the executive committee of the Grain Dealers' National Association, said to-day that the campaign of the association against the grain-pooling scheme of the United States Grain Growers (Inc.) was as open as the day and that any information Congress might want would be speedily forthcoming."

"Senator Kenyon, of Iowa, introduced a resolution in the United States Senate yesterday calling for an investigation. 'We in the grain business can see no essential difference between the present vast pooling scheme and the disastrous régime of the Non-Partisan League in North Dakota,' said Mr.

Mansfield. "The basic idea is the same, namely, monopolistic control of crops. It took the Non-Partisan League just two years to bankrupt the State of North Dakota. We do not care to spread such an experience over all of the grain States.

"If the plan of the United States Grain Growers (Inc.) were a practical one and would benefit not only the farmer but the public as well, we would probably be human enough to fight anyway for the protection of our own business interests; but in this case we know that we are working not only for ourselves, but for the protection of all legitimate business, and in particular for the farmer himself. Any investigating committee should summon a few North Dakota farmers and ask them what happened to them. The failure of banks of that State and its inability to sell its bonds are recent memories.

"About that \$250,000 fund. In the first place, I wish we had it, for I understand that the United States Grain Growers (Inc.) has something like \$2,000,000 now to promote its purposes, for the advertising now appearing, for speakers, for solicitors and propaganda generally. However, such money as we have it coming from grain men, and it is being spent for advertising, postage, and office expenses.

"Legitimate business is eternally being attacked by theorists with Utopian schemes. Always the appeal for class legislation. The Grain Dealers' National Association proposes to fight this and to unite other interests in the fight.

"Just how are we opposing the grain-pooling scheme? Lawyers, bankers, and grain men have made unbiased analyses of the contract which the United States Grain Growers (Inc.) are asking the farmer to sign. We are simply appealing to him, for his own protection, to study it carefully, or have it studied for him by his lawyer or banker—a person in whom he has confidence—before he signs it.

"In our opinion it deprives him of all control over income from his crop for five years, leaving that to the United States Grain Growers (Inc.), and he will have to pay whatever handling charge the corporation assesses. Under the present system he knows exactly what the charge is, and he controls his own marketing.

"The prosperity of the grain business depends on the prosperity of the farmer. To protect ourselves we must protect him."

MR. BLACK. The next move we have in the activities of Mr. Mansfield's committee consists of some posters that were sent out broadcast through the States of the Middle West. These posters were very elaborately gotten up.

Senator KEYES. I have not gotten quite clear in my mind which association Mr. Mansfield was the head of.

MR. BLACK. Mr. Mansfield was chairman of the special executive committee of the Grain Dealers' National Association, appointed as a result of the Cincinnati meeting, and was in charge of conducting this campaign against the Grain Growers and against farmer "class legislation."

Senator LADD. Under what name does that committee operate?

MR. BLACK. It is commonly known among farm organizations in the West as the Mansfield committee. It is really a special committee appointed by the Grain Dealers' National Association.

Senator LADD. Appointed at this Cincinnati meeting?

MR. BLACK. At the Cincinnati meeting. It was at first a temporary committee and was made a permanent committee afterwards. The committee was known as the special executive committee of the Grain Dealers' National Association. Mr. Chairman. These posters were sent broadcast through the grain States, and seek to attach to the United States Grain Growers the stigma of socialism and bolshevism or worse. They also carry a reference to the Non-Partisan League.

Senator KEYES. Mr. Black, will you tell me how you connect those up with this particular meeting in Cincinnati? I mean were these issued before or after the meeting?

MR. BLACK. They were issued afterwards. Their distribution began shortly after this news letter, which I have just produced, which carries the date line of July 13. That was the opening letter, and the next thing was the appearance of these posters, posted outside of the country elevators, and also on the inside of the elevators in conspicuous places.

(The posters referred to are here printed as follows:)

FIVE YEARS OF THIS?

[Illustration.]

POOLING CONTRACT.

Remember North Dakota!

Remember the Non-Partisan League!

If grain-pooling contract is offered you, better consult your lawyer, your banker, your grain dealer.

Study it before you sign.

GRAIN DEALERS' NATIONAL ASSOCIATION.

LOOK BEFORE YOU LEAP!

If a grain-pooling contract is submitted to you, do these things:

1. Study every word.
2. Consult your lawyer, your banker, your grain dealer. Ask for literature.
3. Ask your lawyer if it does not deprive you of all control of income from your crop for five years.
4. Ask if there is any limit to the handling charges which may be imposed on you.
5. Ask if the contract does not bind you absolutely for five or more years, even if you find it ruinous the first year.
6. Ask your banker if you will get as much for your grain as you are getting now.
7. Write executive committee Grain Dealers' National Association, 308 Western Union Building, Chicago, for free legal analysis of sample contract.

Remember North Dakota!

Remember the Non-Partisan League!

GRAIN DEALERS' NATIONAL ASSOCIATION.

MR. BLACK. I have here a letter signed by the Grain Dealers' National Association, Omaha, Neb. This circular letter was sent out from Omaha and carried no date line. It is written, however, on the letter head of the special executive committee of the Grain Dealers' National Association, which bears the address of the committee's Chicago office. This would indicate that these posters and letters were sent out in bulk from the committee's Chicago office to various grain exchanges and were then distributed in an individual way from those exchanges—in this instance, the Omaha exchange.

Senator KEYES. What date?

MR. BLACK. It carries no date. It appeared subsequent to the Inter-Ocean Syndicate news letter. I am giving you in chronological order the development of the Mansfield committee's campaign as shown by the news items, posters, letters, etc., that were sent to our office by our friends to keep us advised. When these letters, etc., were sent out by the Mansfield committee to the country elevators they were not only sent to old-line elevators, but to farmers' elevators as well, and the managers of some of the farmers' elevators would in turn send them in to us or to their State agricultural associations—that is the way most of this material came to our hands, and it shows the activities of the old-line grain dealers against the United States grain growers. That is the way we received copies of these posters and the letters that I am going to give you. They just came in to us from time to time, and this is the order in which they came. In that way we were able to keep in close touch with the development of the Mansfield committee's campaign.

Senator KEYES. Do you know when you received that letter?

MR. BLACK. Only in this way. We kept an office outline of the order in which this information was received. There is no date on this particular letter. I have no record here of the date of the receipt of this letter by our office. It was probably sent in to us by one of the membership solicitors out in a country point.

(The letter referred to is as follows:)

GRAIN DEALERS' NATIONAL ASSOCIATION,
Chicago.

TO THE MANAGER: Under separate cover we are mailing you a supply of posters which is the first installment of the propaganda to be placed in Nebraska, as well as other States, by the Grain Dealers' National Association in our campaign to educate the farmer as to the marketing of his crops and the value of the exchanges to the producer. We are anxious to get these posters before the farmers at once, and will consider it a special favor if you will immediately, upon receipt of the same, post one in your office and one in each of the banks of your town, also one in the waiting room of the depot and in the lobby of your post office, or any other conspicuous public place, so the farmer's attention will be attracted to same.

No doubt your local paper will have some comments to make on this work, and in the event they do—whether the write-up is in favor or against this campaign—we would be pleased to have you send a copy of the paper, addressed to the educational committee of the Omaha Grain Exchange, Omaha, Neb. This committee will also be glad to give your local papers any information they may desire regarding this work.

In the event your board of directors or stockholders, or at a general meeting of the farmers, would like to have this work explained more in detail, the committee would be glad to send speakers to attend any such meeting and explain fully the nature of this campaign and the workings of the grain exchanges. This speaker will be fully informed on this subject and will be capable of answering all questions. The grain exchanges have nothing to conceal from the producer or the landlord or farmer, and feeling that the present plan of marketing crops is fundamentally correct, we desire to spread this propaganda as extensively as possible, and your cooperation will be very much appreciated.

Respectfully,

GRAIN DEALERS' NATIONAL ASSOCIATION, OMAHA, NEB.

Address all communications to the Educational Bureau, care of Omaha Grain Exchange, Omaha, Neb.

MR. BLACK. The next step in the campaign being carried out by Mr. Mansfield's committee that we have record of is a speech that he made before the Kiwanis Club in Lansing, Mich. It was reported in the Lansing Capital News, which I have here.

Senator Keyes. On what date?

MR. BLACK. July 21, 1921. According to the reports of this speech, he used this language:

"Beware of the bolshevists, the socialists, and the anarchists; look out for the gang that wrecked North Dakota, that leaped into Illinois over night and under the guise of the 'people's friends' and spread a most deadly poison—the very poison that Russia knows." He condemned the Non-Partisan League. He tells the Kiwanis Club that they say they will burn the surplus grain in order to get their price. The whole tenor of the speech seems to be that the solicitors or the field men who were out getting members for the United States Grain Growers were really workers for the Non-Partisan League. He said they were down in Illinois, and they were coming up to Michigan. When he referred to Illinois, he was referring to an effort sponsored by the Illinois Agricultural Association last spring to have two bills passed that were known as the Lantz bills to regulate the Chicago Board of Trade. In fact, posters, or rather banners, appeared in Springfield while the hearings on the Lantz bills were going on with a reference to Townleysism.

Senator Ladd. Is Townley in any way connected with this United States Grain Growers (Inc.)?

MR. BLACK. Townley is not now nor never has been, so far as I know, Senator Ladd.

Senator Ladd. He was not connected with the committee of seventeen? MR. BLACK. Mr. Townley was not a member of that committee, and never appeared before the committee of seventeen to discuss or suggest anything. I have never seen him at these committee meetings nor have I ever heard that he was associated with the committee in any way whatever before or since I was employed about the middle of December, 1920. I have read verbatim copies of the meetings of the committee of seventeen and there is no record of his having

addressed the committee in the course of its deliberations nor has he asked or been invited to participate. I was present at the meetings of the committee of seventeen in Chicago, December 13, 14, and 15, 1920; at the meetings in Chicago that began on December 27, 1920, and continued for several days, and at the meetings in Kansas City, Mo., beginning the week of February 14, 1921; also the meetings of the committee before its plan was presented to the ratification conference April 6, 1921.

Senator Ladd. The only member of that committee of seventeen from North Dakota was myself, was it not?

MR. BLACK. Yes; you were the only member from North Dakota.

In Mr. Mansfield's address in Lansing he went on to say that the Non-partisan League was after the grain dealers. The one big idea he was trying to get across to his Lansing audience was that the United States Grain Growers (Inc.), was really the same group or movement as the Nonpartisan League in North Dakota. Mansfield's speech was an effort to work on the feelings of his hearers in such a way as to attach the stigma of the Nonpartisan League to us, and thus keep the Michigan grain farmers from joining and supporting the United States Grain Growers cooperative grain marketing plan.

(The newspaper clipping referred to is as follows:)

[Lansing Capital News.]

WARNS STATE WRECKERS OF NORTH DAKOTA ARE COMING.

HEAD OF GRAIN DEALERS CONDEMNS N. P. LEAGUE—R. I. MANSFIELD, OF CHICAGO, TELLS KIWANIS CLUB TOWNLEY'S CROWD SAY THEY WILL BURN SURPLUS GRAIN TO FORCE UP PRICE.

Beware of the bolshevists, the socialist, and the anarchist; look out for the gang that wrecked North Dakota, that leaped into Illinois over night and under the guise of the "people's friends" spread a most deadly poison—the very poison that Russia knows. This gang is coming into Michigan in a few weeks now. They've been making the grain exchanges the goat in North Dakota and in the State of Illinois. They declare that they will disregard on the whole the law of "supply and demand," and further, they, organized with farmers as they are, declare they will burn grain and produce in surplus rather than be beat in getting the price.

R. I. Mansfield, of the Grain Dealers' National Association of Chicago, at the regular weekly luncheon of the Kiwanis Club at the Kernis Hotel this noon thus condemned the Non-Partisan League of North Dakota.

CARRY ON BIG CAMPAIGN.

"They've been after the grain dealers. They've been going one better in certain districts. Let me show you herewith one or two advertisements taken from the daily press in Dakota and Illinois, showing where they are advertising clothing, men's and women's wear. They claim they'll make a clean sweep. They have been and are to-day carrying on a mighty extensive propaganda program in publicity. It is a fact that they totally wrecked North Dakota in quick order. Do you want this organized gang of socialists to wreck Michigan?" he continued.

"In the South, and I speak from authority, this gang has already tied up more than 20,000,000 bushels of grain for a period of six years—tied this grain up on contracts that will not bear the light of day, or at least that should not; but it will be a terrible battle. The farmer and the grain dealer are one. I have been 30 years in the grain business and I know whereof I speak. But these cats have severed the cords between the grain dealer and the farmer completely in some parts of America; they're coming into Michigan and they hope to make a cleaning here also. Will you let them?"

CONTROL NORTH DAKOTA'S SCHOOLS.

"I want to say to you that we are not opposed to farm bureaus that are farm bureaus, organized for the purpose of showing the farmer how to grow two ears of corn where former only one grew, but farm bureaus should keep out of politics entirely. Senator Kenyon has moved a resolution at Washington calling for a full and free investigation into our grain-exchange committee ac-

tivities in this regard in opposing this radicalism of which I speak. We welcome the investigation. Our work will bear investigation under the light; the work of the socialist and the bolshevist will not."

Mr. Mansfield closed his address with a powerful plea for all loyal Americans to be on their guard.

"It's high time that we armed to meet th's common foe," he shouted, "and it is high time that we prepare to bend every effort toward defending pure and simple Americanism; there's room in this country for only one flag. In North Dakota this organized gang of socialists elected a school superintendent to teach the children the gospel of their dirty creed. Will this happen in Michigan?"

Mr. BLACK. The next circular letter which I wish to place in the record showing the grain dealers' campaign in the State of Illinois is this letter written under date of July 6, 1921, and signed by W. G. Culbertson, the secretary of the Illinois Grain Dealers' Association.

All State grain dealers' associations are affiliated with the Grain Dealers' National Association, I believe. I am not so sure about this, but I believe a member joining a State grain dealers' association is also a member of the Grain Dealers' National Association. The Grain Dealers' National Association is a federation of these State grain dealers' associations, and a member of the State organization is also in that sense a member of the national organization. Mr. Culbertson wrote a letter to the members of the Illinois Grain Dealers' Association, going on to say:

"This is a critical time in all business, and most critical for those in the grain trade. The United States Grain Growers (Inc.), would put out of business all the existing machinery for handling the grain business. I do not believe this can be done, but it is no time to set back and await developments. We must go to work and make it impossible."

In this same letter Mr. Culbertson gave the names of the president, vice president, and one of the directors of his State association, and said these three men and himself attended the meeting at Cincinnati, where, he went on to say, it was decided to actively combat the activities of the United States Grain Growers and county agents. In this letter Mr. Culbertson states that \$250,000 was decided upon as a minimum to be raised, and that an executive committee was named to formulate plans to combat them.

The letter sets out that they actually were intending to get \$250,000. Whether they got that much money subsequently or not is no reason why the thing should be made light of, because if they didn't get it it is due, probably, to the wrong publicity that this Cincinnati meeting received in the beginning. It may be that a good many of these people who were down there, because the publicity given to this \$250,000 fund caused so much discussion, thought it would be a good thing to stay away from, and it may be that for that reason many of the men who would have contributed did not do so.

Senator LAM. That is possibly the reason that the Minneapolis Chamber of Commerce declined to go in.

Mr. BLACK. Yes; they immediately withdrew; we do not know why. It may be they decided they could carry on a campaign in their own way more effectively than by combining with this committee and showing their hand as being connected with it.

(The letter referred to is as follows:)

ILLINOIS GRAIN DEALERS' ASSOCIATION,
CHAMPAIGN, ILL., July 6, 1921.

DEAR SIR: This is a critical time in all business, and most critical for those in the grain trade. The United States Grain Growers (Inc.) would put out of business all the existing machinery for handling the grain business. This includes every individual-owned elevator as well as the exchanges. I do not believe this can be done, but it is no time to set back and await developments. We must go to work and make it impossible.

President F. G. Horner, Vice President B. L. Christy, Director E. M. Wayne, and myself attended the meeting of the branches of the grain trade in Cincinnati, Ohio, June 27, where it was decided to actively combat the activities of the United States Grain Growers (Inc.) and county agents. Two hundred and fifty thousand dollars was decided upon as the minimum to be raised, and an executive committee was named to formulate plans for the combat. These will be announced as soon as definitely decided upon.

In the meantime every member of this association is urged to make a list of all farmers at his station or stations and forward to me. This should be done at once, and must convey the following information: Name, town, county, and State. Example: "Jones, John J., R. F. D. No. 2, Lincoln, Logan County, Ill."

This list can be made from your list of customers, and your local telephone directory. If possible, make it with the use of a typewriter, but for no reason fail to send it. It is purposed to send this list to the publicity agent of the Chicago Board of Trade in order that every farmer may receive some very important literature. You should be not only willing but anxious to cooperate. May I not have this list by an early mail?

Yours, very truly,

W. G. CULBERTSON, Secretary.

Mr. BLACK. The next letter we have from Mr. Mansfield's committee is under date of July 26, 1921, and contains the admonition to "keep your territory safe." This is a letter directed to country elevator men. I will just comment on the letter briefly, Mr. Chairman.

In this he again goes on to denounce the movement of cooperatives to market their own grain, and says that it is a movement against established order and one seeking to array the growers of grain against the present marketing system by adroitly charging that the grain exchanges are responsible for the lower values of farm products.

The letter goes on to say that "It holds before the farmer the mirage of a country-wide grain pool by which it promises higher prices to the farmer regardless of supply and demand."

That is entirely in error. If Mr. Gustafson, president of the United States Grain Growers (Inc.), were here, I am sure he would corroborate my statement to that effect. In all the addresses he has made throughout the grain States he has never said that the United States Grain Growers would attempt to fix prices, nor has he said that our organization would attempt to dispose of any grain which it handled contrary to the law of supply and demand. In fact, he insists that the law of supply and demand is the only factor which should control the movement of grain, and not by any artificial means. This letter is an untruth so far as it speaks of the plan of the United States Grain Growers (Inc.). (The letter referred to is as follows:)

GRAIN DEALERS' NATIONAL ASSOCIATION,
CHICAGO, July 26, 1921.

DEAR SIR: This country is facing a serious crisis. A careful survey of the financial and business conditions shows that the business methods and institutions which have operated for years in harmony with the American principles of freedom for all and special privileges to none, are being threatened by movements which would substitute class legislation for national legislation and untried experiments for the business machinery which has been developed through years of experience.

Supported in some measure by the natural discontent which followed the decline in grain prices from the war peak, one phase of the general movement against the established order has sought and is seeking to array the growers of grain against the present marketing system by adroitly charging that the grain exchanges are responsible for the lower values of farm products.

It holds before the farmer the mirage of a country-wide grain pool by which it promises higher prices to the farmer regardless of supply and demand, the two forces which always have and always will govern prices. A hurriedly organized marketing plan has sprung up. It asks the farmer of the country to pledge themselves, under severe penalties, to dispose of their grain for a five-year period through the sole medium of an untried agency.

Its leaders are men unfamiliar with marketing, but plenteous in promises. Supporters of the movement have announced that the grain marketing plan is only a first step in a campaign which will revolutionize business.

Regardless of its certain ultimate failure, its partial functioning would work havoc in the grain trade. With each signature to the 5-year pledge a customer of yours possibly is lost, and while the plan is demonstrating its impracticability much damage will have been done.

This is primarily your fight. Your right to existence and your service in marketing is directly attacked. Other businesses are threatened in the future; you are under direct attack.

Realizing the seriousness of the situation the Grain Dealers' National Association called a conference at Cincinnati, Ohio, June 27, which resulted in the organization of a bureau to combat the radical attack. This bureau, with offices at room 308, Western Union Building, Chicago, is now undertaking this important work.

Its aims briefly are: To acquaint the producer with the extreme danger of abandoning the competitive markets for any method system of cooperative marketing based on a nation-wide pooling of grain; to spread the doctrine of conservatism and caution; to emphasize the necessity of retaining sound economic beliefs and practices; to oppose all class legislation and the attempt of special interests to bring about bureaucratic control, a thing foreign to the basic principles of this country; and to establish a closer bond of friendship and good will between the producer, the dealer, and the consumer. We have no quarrel with any organization—we are fighting for principle and not for special advantage.

Unless a united front is presented to this initial attack the whole structure of business may be undermined and a new order created, masking a distorted socialism under the guise of cooperative endeavor.

This bureau has prepared posters calling attention to the grain pooling plan and warning growers to examine carefully all contracts they are asked to sign.

It also has on hand analyses of the five-year contracts, and booklets disclosing the dangerous features of this plan.

Posters and literature are being mailed to you and we ask you to place the picture posters in prominent positions in your vicinity. Stick them up outside and inside your elevator. Hang the other ones in the post office and railroad station. Send for more, if you can use them. Distribute the literature as widely as you can. Visit your banker. We have written to him asking his help. Impress on him the importance of the campaign.

Don't be afraid of criticism. We expect to be criticised and to be accused of selfish purpose. This crisis is above personal considerations. Not only your business is being attacked but the movement which you are asked to combat threatens the foundations of the whole economic structure.

Write to us and tell us just what the situation is in your locality. We expect to cover your particular district through other agencies and assist you in keeping your territory safe for you. We need all the help you can give us and in helping us you will help yourself.

Again we repeat what we particularly ask you to do for us and for yourself: First, Get the posters up in places where farmers will see them.

Second, See your bankers and get their cooperation.

Third, Get our literature widely distributed to your farmer friends.

Is this too much to ask of you in such a serious situation?

Very truly, yours,

R. L. MANSFIELD,
Chairman Special Executive Committee.

MR. BLACK. The next circular letter issued by the Grain Dealers' National Association which we have, and which I wish to have placed in the record, also lacks a date line. It has the heading "Chicago" on it and starts off with the same sentence that appeared on the first form letter sent out by the Inter-Ocean Syndicate. The sentence is "If this story interests you, we shall be glad to have you use it." This would indicate that the Inter-Ocean Syndicate was probably writing all the circular letters for the Mansfield committee.

(The letter referred to is as follows:)

CHICAGO.

If this story interests you we shall be glad to have you use it.

The permanent policy of the executive committee of the Grain Dealers' National Association was announced at a meeting in Chicago, July 27, and the objects of its educational campaign set forth.

"For several years, and particularly during the past year, the grain trade and the present grain competitive marketing system of the United States have been subjected to unwarranted criticism and attacks. The methods of transacting the grain business have been grossly misrepresented. The grain dealers are charged with responsibility for price fluctuations that are and

can only be the result of the operation of the law of supply and demand. Minor imperfections, and the wrongful acts of a few individuals have been reported in distorted and exaggerated form, and proclaimed as the general practice.

"Professional agitators, political demagogues, and those who claim to have a better system of marketing and who think that in order to establish the same they must first destroy the existing competitive marketing system have been increasingly active in their assaults. These activities have finally culminated in efforts to 'regulate' the grain exchanges by securing the enactment of laws, state and national, that would inevitably result in the closing of the exchanges, or in so restricting their operations as to render them comparatively valueless. In this crisis, and not before, did the grain dealers of the United States rally to their own defense, and the defense of the grain farmers, whose marketing avenues were thus threatened.

"The good judgment of legislators and Members of Congress has so far prevented the enactment of destructive legislation, but attempts to secure it have by no means been discontinued. The misleading of the public and the creation of unfounded prejudice in the minds of farmers are apparently to go right on.

"In the face of this situation, the occasion for some concerted and sustained campaign of education is apparent. Fairness to the grain trade and justice to the producers of grain in whose service it was conceived and is operated, demand this. The public is entitled to the truth and to the facts.

"It was in order to supply such need that this committee of the Grain Dealers' National Association was formed. Its purpose is purely defensive and educational. It will oppose the enactment of class legislation, or that which would ruin or unnecessarily restrict legitimate business. In its own interest and in the interests of the grain producers and the public, it will call attention to economic fallacies contained in various proposed marketing systems and the dangers which their provisions hold for both farmers and grain dealers. It will not combat any legitimate effort to improve the present marketing system. It will welcome constructive suggestions from any source. The present highly competitive grain-marketing system of this country is the result of the experience and evolution of more than 60 years. It is recognized as being the most efficient of any country in the world.

"Attacks upon the committee itself, or misrepresentation of its character or purpose, will not deter it from performing its duties to the grain trade, to the farmers, and to the general public. Every dollar received by this committee will be expended in a campaign of education, the purpose of which is to dispel the false impressions now existing regarding the present grain-marketing system and to awaken the farmers and the public generally to the efficiency with which the grain crops of this country are distributed and the extremely low cost per bushel of this distribution and to the fact that the producer received a larger per cent of the final price paid by the consumer of grain than is the case in any other line of farm produce."

MR. BLACK. This circular letter is practically identical with a printed pamphlet which was given out as the permanent policy of the special executive committee of the Grain Dealers' National Association.

Senator KEYES. You mean this Mansfield committee?

MR. BLACK. Yes, sir; the Mansfield committee was then made more or less permanent. For the month between the Cincinnati meeting of June 27 and July 27 or 28, the committee was more or less of a temporary affair, but they decided at the meeting on or about July 28 to go ahead. This statement of "permanent policy" of that committee was issued. It was given out in the form of the circular letter I have just submitted and also as a printed pamphlet. This pamphlet has the names here of R. L. Mansfield, chairman; B. P. Benson—Mr. Benson is a new man in this work; Joseph Lawther, of the original Mansfield committee; L. W. Forbell, also on the original Mansfield committee; and J. N. Russell, another new man on the committee.

Senator LADD. Who is this man Benson. Whom does he represent?

MR. BLACK. I believe, Dr. Ladd, he is a member of the Minneapolis Chamber of Commerce.

I wish to point out in this letter and this pamphlet that the policy seems to have been changed. It is not so strong, not so radical, and they quit mentioning the United States grain growers. They are now dealing with farmer

movements generally. There is no longer any public reference to the cooperative grain marketing movement as being tied up with the Non-Partisan League of North Dakota. They probably have seen that such radical charges were not meeting with the response which they would like to have, and they are now discussing the farm movement in general terms. The United States grain growers is not mentioned, but they speak of "professional agitators, and those who claim to have a better system of marketing, and who think that in order to establish the same they must first destroy the existing competitive marketing system."

At this time of the change of policy they got out another poster. You will recall that the former posters carried the warning, "Remember the Non-Partisan League; remember North Dakota." The new poster makes no reference to the Non-Partisan League whatsoever, and it is in line with the changed policy appearing in the pamphlet.

(The poster referred to is here printed, as follows:)

Be mighty careful what you sign!

Your lawyer will tell you that.

You may lose by signing.

You can't lose by not signing.

GRAIN DEALERS' NATIONAL ASSOCIATION.

Senator KEYES. Did they recall the previous posters?

Mr. BLACK. No; they did not call them in, I believe. This new poster is not so elaborately gotten up, has not so much variety of color, nor the elaborate lithograph work as the earlier ones.

Just prior to the time the changed policy was introduced the Mansfield committee had sent out certain publicity material to middle-western grain States. When they decided very suddenly to stop referring to the grain growers as though the whole movement was tied up with the Non-Partisan League, wires were sent out to the papers on their advertising and mailing to take those last two lines off of all material that they had.

Senator LADD. What were the last two lines that you referred to?

Mr. BLACK. The last two lines read, "Remember the Non-Partisan League; remember North Dakota." Those two lines appeared on the posters and general literature that they had previously sent out. They sent out wires to have those two lines taken off of all stories or press bulletins that were issued by them.

Senator LADD. Why was that?

Mr. BLACK. I don't know, Dr. Ladd, except that there was a feeling through the States in which such literature was distributed that the attack on the grain growers as being tied up with the Non-Partisan League was getting the grain growers more friends than enemies. It was a reaction against the grain dealers themselves, and they saw fit to stop it, because it was doing them more harm than good.

(The pamphlet referred to is as follows:)

THE PERMANENT POLICY OF THE SPECIAL EXECUTIVE COMMITTEE OF THE GRAIN DEALERS' NATIONAL ASSOCIATION.

For several years, and particularly during the past year, the grain trade and the present competitive grain marketing system of the United States has been subjected to unwarranted criticism and attacks. The methods of transacting the grain business have been grossly misrepresented. The grain dealers are charged with responsibility for price fluctuations that are and can only be the result of the operation of the law of supply and demand. Minor imperfections and the wrongful acts of a few individuals have been reported in distorted and exaggerated form and proclaimed as the general practice.

Professional agitators, political demagogues, and those who claim to have a better system of marketing, and who think that in order to establish the same they must first destroy the existing competitive marketing system, have been increasingly active in their assaults. These activities have finally culminated in efforts to "regulate" the grain exchanges by securing the enactment of laws, State and National, that would inevitably result in the closing of the exchanges, or in so restricting their operations as to render them comparatively valueless. In this crisis, and not before, did the grain dealers of the United States rally to their own defense and the defense of the grain farmers, whose marketing avenues were thus threatened.

The good judgment of legislators and Members of Congress has so far prevented the enactment of destructive legislation, but the attempts to secure it have by no means been discontinued. The misleading of the public and the creation of unfounded prejudice in the minds of the farmers are apparently to go right on.

In the face of this situation, the occasion for some concerted and sustained campaign of education is apparent. Fairness to the grain trade and justice to the producers of grain, in whose service it was conceived and is operated, demand this. The public is entitled to the truth and the facts.

It was in order to supply such need that this committee of the Grain Dealers' National Association was formed. Its purpose is purely defensive and educational. It will oppose the enactment of class legislation, or that which would ruin or unnecessarily restrict legitimate business. In its own interest, and in the interests of the grain producers and the public, it will call attention to economic fallacies contained in various proposed marketing systems and the dangers which their provisions hold for both farmers and grain dealers. It will not combat any legitimate effort to improve the present marketing system. It will welcome constructive suggestions from any source. The present highly competitive grain marketing system of this country is the result of the experience and evolution of more than 60 years. It is recognized as being the most efficient of any country in the world.

Attacks upon the committee itself, or misrepresentation of its character or purpose, will not deter it from performing its duties to the grain trade, to the farmers, and to the general public. Every dollar received by this committee will be expended in a campaign of education, the purpose of which is to dispel the false impressions now existing regarding the present grain marketing system and to awaken the farmers and public generally to the efficiency with which the grain crops of this country are distributed and the extremely low costs per bushel of this distribution, and to the fact that the producer receives a larger percent of the final price paid by the consumer of grain than is the case in any other line of farm produce.

R. I. MANSFIELD, *Chairman*.

R. F. BENSON.

JOSEPH LAWTHIE.

L. W. FORBELL.

J. N. RUSSELL.

Special Executive Committee Grain Dealers' National Association.

Mr. BLACK. The next step in the program of the grain dealers as we know of it is a letter dated September 6, 1921, signed by R. E. Clement, president of the Grain Dealers' National Association, and this letter was addressed widely to grain elevators. This particular letter was addressed to an Illinois elevator, and was sent to our office for our information. Mr. Clement says that "there are two forces at work seeking to cripple or destroy the competitive system of commerce in grain. One is the State and national bureaucrats; the other, the professional agitator."

Speaking of the Mansfield committee's activities he goes on here to say that "offices have been opened in Chicago, and much literature has been sent out. The campaign is already beginning to show results in an enlarged understanding on the part of the producers of the necessity of the middleman in the economic distribution of grain. You are vitally interested in this work. Your support and the support of every grain dealer in this country is needed to bring to full fruition this campaign which has been so auspiciously begun." He states "no specific amount is asked," and just asks them to give what they can and have it sent to Mr. Mansfield, chairman of the executive committee. (The letter referred to is as follows:)

GRAIN DEALERS' NATIONAL ASSOCIATION.

Chicago, Ill., September 6, 1921.

SABOR'S GRAIN & COAL CO., *Saborers, Ill.*

GENTLEMEN: There are two forces at work seeking to cripple or destroy the competitive system of commerce in grain. One is the State and national bureaucrats; the other, the professional agitator. One appeals to the imagination of the producer; the other to his prejudice. Both promise the producer better returns for his grain and the consumer lower values for what he buys.

Competition now insures to the producer a maximum price and to the consumer a minimum cost. Selfish and designing interests dispute these facts, and

until the creation of this committee there was no effort made, no progress evidenced, no authoritative data available to combat their propaganda and protect the grain trade from abuse, misrepresentation, or possible annihilation.

There is but one way in which the propaganda of the enemies of the middleman can be counteracted and that is by going to the producer with the facts. This country has been built up by the efforts of individuals. The middleman is an economic necessity, but his very existence is threatened and it is your business that will suffer first.

The Grain Dealers' National Association has inaugurated a campaign to enlighten the producers of the country as to the economic functions performed by the middleman.

Offices have been opened in Chicago and much literature has been sent out. The campaign is already beginning to show results in an enlarged understanding on the part of the producers of the necessity of the middleman in the economic distribution of grain.

You are vitally interested in this work. Your support and the support of every grain dealer in the country is needed to bring to full fruition this campaign, which has been so auspiciously begun.

A contribution from you to carry on this work is urgently needed. No specific amount is asked. Give what you can. You know the value and the absolute necessity of the work that the association is doing in your interest. Do not pigeonhole this letter or lay it aside. Send your check to-day to the Grain Dealers' Association, 308 Western Union Building, Chicago, Ill.

Very truly, yours,

B. E. CLEMENT,

President.

A. E. REYNOLDS,

Chairman Finance Committee.

R. I. MANSFIELD,

Chairman Special Executive Committee.

Mr. BLACK. The next discussion of the program of the Grain Dealers' National Association was in connection with their annual convention, which was held in Chicago on October 3, 4, and 5. Mr. Clement, in his opening speech, dwelt on the troublesome times in the grain trade during the past year—brought about by agitators and others who were trying to destroy the legitimate organized grain marketing system. During this convention on the Mansfield committee made its report, and Mr. Mansfield's comments on the posters that were sent out, letters, and literature, and particularly on one pamphlet that he seems to take great pride in entitled "Sign here." About a half million copies of this pamphlet were sent out. The pamphlet was written by Mr. Thomas T. Hoyne, formerly employed by the Chicago Herald-Examiner. The whole thought of the pamphlet is to prevent the farmers from signing the grain growers' contract, because it was asserted that under this contract our organization could do a lot of things to the farmers, and that it was just like signing away their property rights.

Senator KEYES. Who is Mr. Thomas T. Hoyne?

Mr. BLACK. He was formerly a writer for the Chicago Herald-Examiner. Prior to that time he was associated with his brother, Eugene Hoyne, who was a member of the board of trade. Mr. Hoyne who wrote this pamphlet did some work for the Mansfield committee at the same time that he was a writer for the Herald-Examiner; but, because of his activities in behalf of the Mansfield committee, it is reported he found it necessary to give up his newspaper work. Mr. Hoyne remained with the Chicago office of the special executive committee until it was closed up and the work transferred to Toledo—the headquarters of the secretary of the Grain Dealers' National Association. I understand that at the present time Mr. Hoyne is operating independently and writes grain-market letters, or, in other words, gets out a sort of tipster service relative to the trend of grain prices.

Concerning this \$250,000 fund, which Mr. Mansfield and some others would possibly like to forget about, I said before the men, who met in Cincinnati, set out to get such an amount as a minimum for their operations, and probably have secured the full amount but for the unexpected publicity that the Cincinnati meeting received. In making his report of the special executive committee's work—at the annual convention of the Grain Dealers' National Association, held in Chicago on October 3, 4, and 5, 1921—Mr. Mansfield made light of the \$250,000 fund. In his report he said in part:

"Much publicity is attached to the \$250,000 slush fund, proposed to be raised at Cincinnati, for the work of the committee. The best refutation of this rumor is the financial statement."

No matter how contemptuously he may now refer to the question of securing \$250,000 for so-called educational work in country grain-marketing communities, the fact still remains apparent that the failure of the committee to secure the whole amount can not be attributed to a lack of effort on their part, but to a feeling on the part of some groups—who might, under different circumstances, have contributed generously—that this was something to be avoided because the whole business had not been tactfully handled.

As to whether or not the collection of a \$250,000 fund was an important feature of the discussion in the Cincinnati meeting, allow me to recall to your attention for a moment the letter, written on July 6, 1921, by Mr. C. G. Culbertson, secretary of the Illinois Grain Dealers' Association, which I have already made a part of my testimony. Mr. Culbertson is an officer of an organization very closely associated with the organization that called the Cincinnati meeting, and his letter, of the date just mentioned, is very clear in stating that \$250,000 was the minimum amount decided to be raised. This one instance, and there are others, is sufficient proof that Mr. Mansfield and his associates intended to secure \$250,000 if it was possible to do so. Whether they ever collected that amount or not is aside from the matter under discussion here.

We have no absolute knowledge of just how much money the Mansfield committee was able to secure for its work. Probably this information can be secured when witnesses are called to speak for the other side, or maybe Mr. Mansfield can furnish this committee with a detailed statement. All we know on this topic is what Mr. Mansfield reported to the grain dealers' national convention last October. In his report as to the activities of the special executive committee, Mr. Mansfield says:

"We have received from the exchanges \$31,100; from outside country grain dealers, \$2,006; special contribution from the board of trade, \$6,675; from the Grain Dealers' National Association"—and remember, this was the organization that called together the Cincinnati meeting—" \$530; and our receipts from all sources are \$44,791.48. The disbursements have been \$40,386.59, leaving a balance of \$4,404.89 in the bank. We have liabilities amounting to \$13,830.57 for work already contracted for."

Senator KEYES. Mr. Black, have you a comparison as to what their receipts were for the year prior, or any number of years? I mean is that amount very much in excess of what they ordinarily would receive?

Mr. BLACK. This committee, this special executive committee, was not in existence before.

Senator KEYES. Oh, I understand. I did not understand that.

Mr. BLACK. They never did anything before; that is, this particular committee was only created in July of last year. We know nothing about the total amount of money collected for the Mansfield committee except as shown in his report. The Merchants' Exchange of St. Louis voted \$5,000 for the Mansfield work. In his report, Mr. Mansfield states that from the exchanges he received \$31,100. Which exchanges gave and what amounts each contributed is unknown to us, except that the St. Louis Exchange gave \$5,000 and that the Omaha Exchange, which collected about \$3,000 for the work, only turned over a part of such amount, keeping the balance for a campaign of so-called educational work in its own territory.

Senator KEYES. What was your figure? \$46,000 was it?

Mr. BLACK. Receipts from all sources are given as \$44,791.48.

(The report referred to is as follows:)

SPECIAL EXECUTIVE COMMITTEE REPORT.

The emergency confronting the grain world by reason of unwarranted criticism, misstatements, and attacks on the present open, competitive system of grain marketing by the misinformed and others, the attempt to place in operation a visionary cooperative grain marketing scheme of Nation-wide scope, monopolistic in character, and binding the grain growers by irrevocable five-year contracts to market their grain outside the present marketing channels was sufficient reason for the creation of this committee.

The objective of this work was clearly set forth in the resolution adopted by the Cincinnati meeting, as follows:

Resolved, That the representatives of the organizations here assembled pledge themselves to a campaign for the correction of the erroneous impressions which are widely prevalent and which have resulted from the spread doctrines, and that we pledge ourselves to organized opposition to all class legislation, both State and national."

Necessity for immediate concerted action to meet this emergency directed the early activities of this committee. However, we conducted no fight; we refused to throw mud, or to vilify; but in a big, comprehensive, constructive campaign we warned the grain producer of the danger to his interests in abandoning the present trial marketing system for a visionary market plan which has never even functioned.

Carefully prepared posters, letters, and literature were sent broadcast over the Western States, followed by widespread advertising in newspapers and magazines, all carrying one message: "Be careful what you sign."

The pamphlet "Sign here," our most effective piece of literature—which honestly analyzes the contract that farmers are urged to sign—still stands absolutely unopposed by the opposition. They dare not even discuss it in their propaganda, although half a million copies of it are convincing farmers throughout 22 grain States of the danger that threatens them.

The effectiveness of our work may be judged by the fact that out of a rural population of 13,000,000 engaged in agriculture less than one-fourth of 1 per cent, or under 15,000 farmers, have to date signed grain-marketing contracts, although solicited to do so by highly paid and specially trained salesmen who were backed up by a campaign of enormous scope over the entire country.

Now, the farmers of America are aroused; they are thinking; they are beginning to realize that our warnings deserve their serious consideration. This awakening of the farmers to their danger is the greatest accomplishment of this committee.

Much publicity attached to a reputed \$250,000 slush fund supposed to have been raised at Cincinnati for the work of the committee. The best refutation of this canard is the financial statement. It is safe to say that this committee's expenditures compared to the cost of our opponents' activities, their enormous organization, huge offices, and widespread propaganda are as \$1 of our money to \$100 of theirs.

We have received from the exchanges \$31,100, from outside country grain dealers \$2,050, special contribution from the board of trade \$6,975, from the Grain Dealers' National Association \$540, and our receipts from all sources are \$44,791.48. The disbursements have been \$40,280.59, leaving a balance of \$4,501.89 in the bank. We have liabilities amounting to \$13,630.47 for work already contracted for.

The emergency situation has been met and met successfully. Our opponents are not functioning and are meeting with very little response in their campaign. But there now remains a big permanent work for the grain trade to do, and on its accomplishment rests the whole future of grain marketing in the United States.

A concerted and sustained campaign of education for the producer and the consumer must be carried on. Grain men must acquaint the farmer and the consumer with the manner in which grain is handled, with the cost of such handling as compared with all other farm commodities and with the small profit accruing by these transactions. This work can be done only by carefully prepared correspondence and literature and through speakers who have the confidence of the farmer and can freely discuss his problems with him.

Failure to follow up now this work so well begun will result in a flood of adverse legislation in ever new and more visionary marketing schemes, and finally, without doubt, in the concentration of the great bulk of the grain business of the United States in the hands of a few powerful interests. The preservation of our present system of open, competitive marketing depends solely upon us; it rests with the action of the Grain Dealers' National Association in session here to-day.

Even now the opposition are laying plans for legislative action in the pivotal States of the Middle West. Already we had delayed too long when dire emergency at last shocked us into action, and as yet we have rolled the ball only half way up the hill. If we take our shoulders from the labor now all the work that has been done will go for naught; and just as surely as we are gathered in session here to-day, that ball will crash down upon us again grown into an overwhelming avalanche.

Mr. BLACK. I wish to place in the record at this point a copy of a circular letter of July 12, 1921, which was addressed by the president of the Merchants' Exchange of St. Louis to the members thereof calling for a vote to be taken as to a contribution for the work of Mansfield executive meeting. I desire also to file a clipping from the Post-Dispatch of St. Louis, dated July 15, 1921, stating that the \$5,000 fund had been voted.

(The letter and clipping referred to are as follows:)

Merchants' Exchange of St. Louis,
July 12, 1921.

To the members of the Merchants' Exchange of St. Louis.

GENTLEMEN: Your attention is called to the vote to be taken on Friday, July 15, authorizing the board of directors to appropriate the sum of \$5,000 to be used in an educational campaign in the interest of the grain trade and the St. Louis market throughout the State.

The money is to be expended for the promotion of the grain interest among the farmers of our State along the general lines as advocated by the executive committee of grain exchanges in recent meeting at Cincinnati, Ohio.

It is very important that the Merchants' Exchange of St. Louis bear its share of the expense in this important work. We have available funds in the treasury to meet this contribution.

Resolutions adopted at an open meeting of the Grain, Milling, and Allied Exchange interests of the St. Louis market, July 7, urge immediate action.

Yours, very truly,

NAT. L. MOFFITT, President,
EUGENE SMITH, Secretary.

(From the St. Louis Post-Dispatch, July 15, 1921.)

WHEAT POOLING SCHEME OPPOSED BY EXCHANGE—MEMBERS AUTHORIZE \$5,000 FUND TO COMBAT WORK OF ORGANIZATION BEHIND MOVE.

Members of the Merchants' Exchange voted, in a special election to-day, to authorize the board of directors to spend the sum of \$5,000 this year, "for promoting the interests of the grain trade amongst the farmers, in connection with the general plans outlined by the executive committee of grain exchanges."

The purpose of the \$5,000 appropriation, as explained in a letter sent to the members of the exchange, is to combat hostile legislation, and particularly to oppose the organization known as the United States Grain Growers (Inc.) with headquarters in Chicago. This body is canvassing the grain-growing districts, asking farmers to sign contracts to let the United States Grain Growers market their grain for six years.

The letter to the members of the exchange speaks of this organization as "the greatest movement ever started in this country to pad the farmers' grain."

"The pooling scheme," the letter says, "as every practical business man knows, is monopolistic in its tendencies and as such antagonistic to the true spirit of Americanism. It ignores the unalterable principles of the law of supply and demand. It would cost the American farmer and the American business man untold millions, and that grain interests as at present established, will suffer greatly goes without saying, allied lines of business also."

The movement, it is, in short, an uprising of middlemen to defend themselves against radical attacks, and to prove that the middlemen exist only because they are an economic necessity.

"The funds necessary are a drop in the bucket compared to the millions of loss which are possible and which many interests have already suffered through radical legislation and radical propaganda."

The letter was signed by N. L. Moffitt, president of the exchange, who favored the proposed appropriation.

Mr. BLACK. We do not know how much of the \$31,100 amount was contributed by the Chicago Board of Trade, but it is not unreasonable to expect that it was a generous contributor. Mr. Mansfield, chairman of this special committee, is from the Chicago territory and a member of the Chicago Board of Trade, and the board has always been active and prominent factors in such affairs. Mr. Mansfield's report speaks of a special contribution by the board of trade of \$6,975, but the possibility is that this sum was subscribed as individuals.

In this connection I would like to point out that about a year ago, or maybe a little longer, Mr. Gates, former president of the board of trade, conceived the idea of creating a reserve fund of \$100,000 or more for advertising and promotion. The board rejuvenated an old committee known as the promotion committee and placed it in charge of securing funds. A plan was offered for a wide advertising campaign and several warehouses contributed \$5,000 each to the fund. It is my understanding, from people in Chicago who are in a position to know about such matters, that possibly between \$50,000 and \$75,000 was collected for this advertising and promotion work, chiefly the promotion phase of the work. It may be possible that the Mansfield committee was the recipient of a goodly sum from this fund, but such details can best be secured from Mr. Mansfield.

Shortly after the annual convention of the Grain Dealers' National Association last October, a trade publication issued by that association entitled "Who is Who in the Grain Trade," carried a statement on the center pages of the issue for October 20, 1921, to the general effect that the Grain Dealers' National Association had decided to close its branch office in Chicago and hereafter would conduct its campaign of education among the producers from the headquarters in Toledo. It was announced that the Chicago office would remain open for a short time longer to enable the committee headed by R. I. Mansfield to finish up the work which it had inaugurated at the Cincinnati meeting of June 27, last.

The article went on to say that the executive committee was organized for a particular purpose and created to meet an emergency. It was stated that "The United States Grain Growers (Inc.) had started out with a blare of trumpets to drive the grain dealers and the exchanges out of business." Further comment was made in the same article as to the development of the present cooperative grain marketing movement, from the time of the appointment of the committee of seventeen and the organization of the United States grain growers down to date. The whole trend of the article is to persuade farmers that cooperative marketing movements are impractical, fraught with grave risks, and are just new schemes promoted by agitators. Despite the bland assurance that the Mansfield committee had performed its mission and completed its work, the article wound up with a short but most important paragraph to the effect that the grain dealers should give all they can and "Give till it hurts," so that the benefits of the work already accomplished should not be wasted, but instead carried on to further educate the producers. (The statement referred to is as follows:)

MOVING THE CHICAGO OFFICE TO TOLEDO.

The Grain Dealers' National Association has decided to close its branch office in Chicago and hereafter it will conduct its campaign of education among the producers from the headquarters in Toledo.

The Chicago office will remain open for a short time, or until the committee headed by R. I. Mansfield can finish up the work it inaugurated. This work was authorized at the Cincinnati conference held on June 27 last.

The Mansfield committee, known as the special executive committee of the association, was organized for a particular purpose. It was created to meet an emergency. The United States Grain Growers (Inc.), had started out with a blare of trumpets to drive the grain dealers and the exchanges out of business. It was announced by the press in first page stories with scare heads that the co-ops were about to supply a distributive machine of their own. Seventeen "wise men" had come out of the East and after much deep cogitation they had conceived and perfected something new in economics. Their powerful intellects had evolved a marvelous plan that would hereafter make the middlemen and the exchanges unnecessary.

They were going to have a corporation with a capital of \$100,000,000 to finance the movement of the grain crops. They would also have an export company, terminal elevators, interior elevators, "and everything."

They had in training several hundred young men who were being told all about the handling of grain in a two-weeks' course of lectures. These young men, mostly graduates of grain agricultural colleges, were filled with zeal and burning with the holy desire to destroy the economic leeches who were batten- ing, and also fattening, on the poor producers. It was to be a hurry-up campaign. The young but ardent solicitors, filled with their newly acquired knowl-

edge, were to sally forth like Crusaders and sign up the farmers to five-year contracts before the latter had time to think.

The plan was to get the "John Hancocks" on the contracts and let the future take care of itself. It was believed that it was not at all necessary that the solicitors should know anything about the marketing of grain. The present intricate marketing machinery, the natural evolution of a century of experience, must be scrapped because forsooth the seventeen wise men had a better plan. It was to be an appeal to the emotions and not to the head—a sort of "Come on, Tom, and sign. Your neighbor has just done so. You can't afford to stay out and injure this great movement for the emancipation of the farmer."

This was the situation that met the Grain Dealers' National Association last June. As the late Grover Cleveland once said: "It is a condition and not a theory that confronts us."

The association had to do something, in the interests of both the regular grain trade and the farmers themselves, to take the emotion out of the solicitors' campaign and force them to get signatures on the merits of the plan itself. In other words something had to be done, and done quickly, to bring to the attention of the producers the nature of the scheme that the agitators were trying to put over.

It was decided to open an office in Chicago where literature and speakers would be sent out with but one object in view: To make the farmers examine the plan before they signed any agreement. If they wanted to support a co-operative scheme that was one thing, but signing a five-year agreement to place the products of their farms in the hands of inexperienced agitators was quite another.

The farmers saw the point. They hesitated. They wanted the solicitors to talk to their heads as well as to their hearts. This was the end of the solicitors with their two-weeks' knowledge of the grain business. They couldn't answer the simplest questions. Maybe the seventeen wise men knew all about it but they didn't. The Mansfield committee performed its mission. It accomplished its purpose. It started the farmers to thinking for themselves. The "hurry-up" stuff had to be abandoned. The solicitors found themselves confronted with an argument every time they sought a signature. The campaign lagged. It was not sweeping the country as was expected. Something was wrong. The farmer may be a victim of mob psychology like the rest of us when he is in a crowd. He can be carried off his feet by an appeal to his emotions, but when he gets home he is likely to think the thing out. This was what was wrong with the campaign.

And then another thing happened. The seventeen wise men had forgotten that most of the States have "blue-sky" laws. First came Ohio. That State refused to permit the sale of \$750,000 of the finance company's securities for obvious reasons. Indiana followed and then came Minnesota and Missouri. Then rumors of extravagance in the Chicago office began to be heard. The agitators were feathering their nests. To stop these rumors the promoters reduced their salaries, "voluntarily," of course, but the rumors continued.

At last the president of the United States Grain Growers (Inc.), announced that they would not try to put over their scheme "this year." In fact, he said, nothing further would be done until the annual meeting of the organization on March 22 next.

The work of the Mansfield committee was finished. The United States Grain Growers (Inc.) is not functioning. At the annual meeting in March the grain trade may look for a brand new scheme, as roseate and just as "practical" as the one that has been abandoned. Agitators never finish anything. If they did they wouldn't be agitators. The Chicago office will be kept open for a few weeks or until all the "lose ends" of the work of the Mansfield committee have been gathered up. Then it will be closed. But the Grain Dealers' National Association is not through with its campaign of education among the producers. The work of the Mansfield committee must be followed up. A fund is to be created, enough to carry the work on for at least a year. The money spent by the special executive committee would be lost if nothing is done in the next year to let the farmers and the public generally know more about the cost of handling grain.

A letter has been sent out to all of the members asking them to contribute to the fund that the association is to raise for this year's work. Don't think because the Mansfield committee has been discontinued that there is no necessity

for further funds. It was never intended that the Mansfield committee should be permanent.

The agitators are working on new plans which they will spring shortly. Many of their solicitors are still in the fields, securing contracts at so much "per." These contracts will be turned over to the leaders when their new scheme is spring.

Give all you can. "Give till it hurts." Remember that it costs money to conduct a campaign of this kind. Printing is expensive, and so is paper. And the field to cover is continental in size. The campaign is waged to save your business from destruction, and to save the farmer also. He is beginning to see this.

Mr. BLACK. The next letter we have as to the continued collection of money by the Grain Dealers' National Association is a letter dated November 5, 1921, and signed by Mr. B. E. Clement, president of the organization. This letter was sent out to elevators throughout the State of Illinois, asking them to contribute. In this letter each person to whom it is addressed is asked to contribute \$10 to the fund that is to follow up the work begun by the special executive committee.

(The letter referred to is as follows:)

GRAIN DEALERS' NATIONAL ASSOCIATION,
Chicago, November 5, 1921.

C. W. WILLIAMS, *Utica, Ill.*

DEAR SIR: While you are not a member of the Grain Dealers' National Association, your business interests as a dealer in grain, as well as your personal relations to farmers, are mutual with those of the individual members of this association.

Conditions which spell prosperity for individual members of this association spell prosperity for you as an individual grain dealer. That being true, it must of necessity follow that conditions which threaten the business of grain dealers who are members of this organization must also threaten your business as an individual grain dealer.

Basing their judgment on facts gathered in a thorough and country-wide survey, the directing and executive bodies of the Grain Dealers' National Association say to you that there are forces at work which seek the destruction of the business of the grain dealers of the country. These forces must be met and overcome if our industry is to survive.

The purpose of the disturbers and agitators responsible for the development and direction of these destructive forces is to arouse in the minds of the farmers of the country an antagonism to the present marketing system that will prompt them to go into a scheme the working out of which will mean chaos in the present method and system of marketing grain, the wiping out of the grain-dealing industry—your industry—and a catastrophe to the farmers themselves.

The methods and practices of these enemies of our industry are far-reaching. During the past year numerous situations developed which seriously threatened the rights and business interests of the grain dealers of the country. They threatened the very existence of the grain-dealing industry.

During this present year, in different State capitals and in Washington, the enemies of our industry have sought to accomplish its destruction by means of hostile and vicious legislation. By the expenditure of much time, work, and energy, the directing and executive bodies of this association, backed up and encouraged by the loyal, moral, and financial support of the individual members, were enabled to conserve and protect the rights of the individual grain dealers the country over by completely defeating or very largely modifying the texts of such legislation.

So pressing and important did this work of fighting the enemies of the grain dealers become that it was found necessary to organize a special executive committee for the purpose of meeting and blocking the effect of the extremely vicious propaganda which the plotters were carrying on among the farmers. How vicious that propaganda has been you must know from personal experience.

The work done and the good accomplished by this special committee has benefited grain dealers outside this organization to the same extent that it has benefited the members in it.

As stated above, the responsible officers of this organization are convinced that this work must be continued with vigor and persistence if our industry is to survive.

With charity for all, with malice toward none, this organization purposes to lay before the individual farmers of this country the facts and the truth which prove that our business is an honorable and necessary part of the splendid system for marketing grain. This system has been built up through years of intelligent effort, wide experience, and intense application, to the end that the grain products of the farms of this country might be marketed with the greatest possible facility and at the minimum of expense.

Notwithstanding the fact that the members of this association have been willing and generous in their financial support of this movement, they are now being requested to subscribe individually \$10 additional to the fund devoted to carrying on this publicity work.

In view of the readily conceded fact that grain dealers not members of this association are as vitally concerned in the success of this movement as are the members of it, and further, that they will be equally benefited by that success, we are requesting them to also subscribe the sum of \$10 to the publicity fund.

We are sure that you will readily recognize the reasonableness of this request and the urgent need of a prompt and favorable response. Please mail your check to the Grain Dealers' National Association, 321 Gardner Building, Toledo, Ohio.

Very truly, yours,

B. E. CLEMENT, *President.*

Mr. BLACK. Attached to the letter which I have just made a part of the record was a printed circular headed "Warning" and containing a subhead as follows:

"In order that the grain dealers receiving the accompanying communication may realize the menace which threatens their business we submit the following recapitulation of official figures and statements furnished the 'American Cooperative Manager' by the United States Grain Growers (Inc.) and published in its issue of October 25, 1921."

The statement then recites some figures as to the increasing number of farmers and farmers' elevators that are signing contracts to market their grain through the United States Grain Growers' organization.

(The circular referred to is as follows:)

WARNING.

In order that the grain dealers receiving the accompanying communication may realize the menace which threatens their business, we submit the following recapitulation of official figures and statements furnished the "American Cooperative Manager" by the United States Grain Growers (Inc.), and published in its issue of October 25, 1921.

The United States Grain Growers (Inc.) have secured the signatures of 18,750 farmers to the five-year exclusive selling contract put out by it.

During the week beginning October 17, 1,713 farmers signed the exclusive selling contract.

Elevators signed up by the United States Grain Growers (Inc.) now number 570.

In the State of Illinois 5,284 farmers have signed the five-year exclusive selling contract of the United States Grain Growers (Inc.).

In McLean County alone 1,151 farmers have signed up.

In Hancock County 83 farmers were signed up in 6 days.

In Champaign County 20 elevators were signed up in two weeks.

In Nebraska 2,814 farms and 135 elevators have been tied up by the exclusive selling contract. These exclusive selling contracts cover 400,000 acres of land and a producing capacity of 8,000,000 bushels.

In Oklahoma more than 1,700 farmers have been tied up to the United States Grain Growers (Inc.) by means of the five-year exclusive selling contract.

The campaign to secure members and to tie up acreage and elevators is now on in Iowa. The northern section of that State is now being canvassed by 12 solicitors.

The United States Grain Growers (Inc.) campaign for members, acreage, and elevators in Minnesota is now being organized and will soon be in full swing.

The figures show that since the date of the Grain Dealers' National Association convention in Chicago, October 3, 4, 5, 5,000 farmers have signed the United States Grain Growers (Inc.) five-year exclusive selling contracts.

If these figures mean anything they mean that if your business is to be saved to you there is work to be done—work which you, as an individual, can not do. Your subscription will help do it.

Mr. BLACK. Now in answer to Dr. Ladd's question as to whether the Minneapolis people decided to do something among themselves or whether some of the other grain exchanges decided to do something themselves and not work through the Mansfield committee, I have here a circular letter signed by the educational committee of the Grain Dealers' National Association, Omaha Grain Exchange, Omaha, Neb. I said a little while ago that a fund of \$5,000 was voted in Omaha, but not more than \$3,000 of that money was collected and only a part of that was turned over to the Mansfield committee, the balance was to be retained for use in their regional work. This must be some of their own publicity material. It reads as follows:

"In your mail recently you have received a circular letter, the second paragraph stating that a gigantic movement has been launched by the Grain Dealers' National Association against the United States Grain Growers (Inc.), but which in results will be against every single farmers' movement of every kind, in the country.

"We desire to take issue with this statement as it is not a correct statement of facts. There will be no effort made on the part of the Grain Dealers' National Association to fight farmers' cooperation, but the campaign of education which is being put on by this association is for the purpose of educating the farmer regarding the handling of grain through his nearest terminal markets; also to give him any information he desires regarding the various exchanges and the benefits they are and have been to the farmer."

It appears, from the remarks in this circular, that the exchanges have begun to realize that by their attack on the United States Grain Growers in the early stages of their campaign they weakened instead of strengthened their case. Now they are trying to place themselves in a better light before farmers by announcing that they are not fighting any farmers' organizations, but just want to put before the farmers the work of the grain exchanges themselves, and to let them know just what the grain exchanges are doing.

To carry this point of a changed attitude a little farther, the Omaha Grain Exchange recently announced it was going to conduct a training school for Nebraska farmers, to instruct them in buying, selling, and inspection, shipping, and rate making. They say that the courses are to be free, and farmers may come to the Omaha Grain Exchange and take the course and it will not cost them a cent. They state in their concluding paragraph: "Nebraska farmers who are interested in the school are requested to get in touch with the educational committee of the Omaha Grain Exchange. The school is free. No tuition is to be charged, and a corps of efficient instructors will conduct all classes."

They are changing their tactics, and instead of specifically mentioning the United States Grain Growers, or any other farmers' organization, they are now trying to develop the fact that the grain exchanges are just going to educate the farmer to what they are doing, as to the legitimate functions of the grain exchanges. This is a marked contrast to the attitude taken when the campaign first opened in June and July.

Senator KEYES. You don't object to that, do you?

Mr. BLACK. No. It is a question of how sincere they are in the latter movement.

There are some other matters that I will probably want to discuss before the committee, but they will come in better after testimony is taken on the other side.

(The circulars referred to are as follows:)

[World-Herald, Omaha, Neb., Sept. 19, 1921.]

FARMERS INVESTIGATE GRAIN MARKET METHODS—LEARN BY PERSONAL OBSERVATION GOOD POINTS OF PRESENT MARKETING SYSTEM.

Farmers, as a rule, want to hear both sides of a question before reaching a decision.

That is why grain growers are inquiring into the truth regarding the present methods of marketing grain before making up their minds as to the practicability of attempts to start a new system.

Many farmers, in answer to the invitation of the Omaha Grain Exchange, are visiting the exchange to see for themselves how the grain market is conducted. They visit the floor of the exchange and see grain bought and sold. They see their own grain offered and disposed of to the highest bidder. They look into the books of the grain merchants if they so desire.

They get an insight into the "inner workings;" they observe the efficiency and economy of the present system—they find that there is no "lost motion" or "duplication of effort." They learn by personal observation that the grain business is the most highly competitive of all lines of trade, and observe how the grain merchant's lifetime of experience enables him to get the highest possible price for his customer's grain.

They find the grain exchange even better than it was 10 or 15 years ago—more efficient, more economical, better organized to market the farmer's grain at the best price, and with the least possible cost in selling.

Because of his observation on these points, the farmer who has visited the grain exchange finds himself in grave doubt as to the wisdom of signing away his rights to market his own grain in his own way for five or six years.

You are cordially invited to visit the Omaha Grain Exchange and learn what the present system of marketing really is. When you come to Omaha for the Ak-Sar-Ben be sure to come here and make an investigation. If you can't come, write for complete information. If you are a grain grower it is your duty to do so.

SAMPLES OF PROPAGANDA SENT OUT BY OMAHA GRAIN EXCHANGE.

To the Managers of Farmers' Elevators:

In your mail recently you have received a circular letter, the second paragraph stating that a gigantic movement has been launched by the Grain Dealers' National Association against the United States Grain Growers (Inc.), but which, in its results, will be against every single farmers' movement of every kind in the country.

We desire to take issue with this statement, as it is not a correct statement of facts. There will be no effort made on the part of the Grain Dealers' National Association to fight farmers' cooperation, but the campaign of education which is being put on by this association is for the purpose of educating the farmer regarding the handling of grain through his nearest terminal markets, also to give him any information he desires regarding the various exchanges and the benefit they are and have been to the farmer. A warning will also be given to the farmer regarding the signing of a five-year contract authorizing inexperienced men to market their crops for this period of years. The Grain Dealers' National Association considers the farmer a friend; their pursuits are interdependent, but the association takes the stand that those who would use the growers' crops in an experiment involving literally billions of dollars are not friends.

During the past 60 or 70 years there has been perfected in this country a system of exchange for marketing the farmer's products at the very minimum of expense to the farmer. These marketing centers have nothing to conceal from the farmer or stock raiser—all their products are handled in open competition—and after years of experience by some of the biggest men the Nation has produced, there has been nothing suggested that would be an improvement over the present system.

It is also a fact that a very small percentage of the farmers and stock raisers are familiar with the methods of operation through the various exchanges, and it is now the desire of the Grain Dealers' National Association to have the farmer and stock raiser become better acquainted with the privileges the markets afford him, and also with conditions generally surrounding the marketing of all crops.

Again assuring you that this movement is not against farmers' cooperation but for the purpose of creating a better and more complete understanding between the farmer, the shipper, and those connected with terminal markets, and soliciting your support in this work, we beg to remain,

Respectfully,

EDUCATIONAL COMMITTEE GRAIN DEALERS' NATIONAL ASSOCIATION,
Omaha Grain Exchange, Omaha, Neb.

GRAIN SCHOOL FOR NEBRASKA FARMERS—OMAHA GRAIN EXCHANGE IN A NEW VENUE—DETAILS OF ITS WORKINGS—TO INSTRUCT IN BUYING, SELLING, AND INSPECTION, SHIPPING, AND RATE MAKING.

Nebraska farmers have seldom been criticized as to the manner in which they operate their farms, but much criticism has been directed toward them because of their laxity in salesmanship and business methods.

Farmers of years of experience, who are experts at raising good crops, are helpless when it comes to disposing of them. Their lack of knowledge of merchandising places them at the mercy of those who are better salesmen.

This condition has long been deplored by the best minds in the agricultural field, so short courses in these departments have been established in various vicinities.

To the Omaha Grain Exchange goes the credit of establishing the first grain-exchange school, at which the Nebraska farmer can learn all the inner workings of an ordinary grain exchange and be supplied with knowledge which he has been woefully lacking. In the school, which will be established by the Omaha Grain Exchange in its large building in Omaha, there will be courses in buying, selling, and inspection of grain, as well as efficient methods of shipping and a knowledge of how to investigate freight rates, thus safeguarding its shipments, as well as saving him money.

The traffic course will be one of the important phases of the school work. This department maintained by the Omaha Grain Exchange has protected farmers tributary to Omaha from irregularities and discrimination in rates, so that Omaha dealers have always been able to pay full value as compared to other sections of the country.

In the buying and selling classes the farmers who take advantage of the school will have the benefit of the years of experience in the grain business of those men who will direct the classes. What may have appeared vague and mysterious to the man who has not had this actual experience will be explained in such a manner that the movement, handling, hedging, and merchandising of grain will be thoroughly understood.

The school is expected to be in operation in the near future, and any farmer is eligible to attend. Students may enter the various classes and remain as long as is desired.

Nebraska farmers who are interested in the school are requested to get in touch with the educational committee of the Omaha Grain Exchange. The school is free. No tuition is to be charged and a corps of efficient instructors will conduct all classes.

[United States Grain Growers (Inc.) department of information, Lincoln, Nebr.—For your information.]

OMAHA GRAIN EXCHANGE INVITES INVESTIGATION.

THE OMAHA GRAIN EXCHANGE REGARDS THE FARMERS OF NEBRASKA AS "COWORKERS IN THE JOB OF FEEDING THE WORLD." BY THE PUBLICITY COMMITTEE OF SAID EXCHANGE HAS SEEN FIT TO EXPEND MONEY IN THE PRESS OF THE STATE TO "INVITE INVESTIGATION," AND CONSIDERS IT THE DUTY OF EVERYONE TO ACQUAINT HIMSELF WITH THE WORKINGS OF THE GRAIN EXCHANGE.

[This advertisement appeared in the Sept. 1 issue of the Ponca (Nebr.) Journal.]

"The Omaha Grain Exchange regards the farmers of Nebraska as coworkers in the job of feeding the world. The system now in operation is the climax of economy and efficiency, and in order that you may be satisfied that this is true, you are cordially invited to come, or send your representatives, to investigate in every department of the progress of your grain through this market on its way from your farms to the urban consumers. Omaha grain merchants will receive you into their offices and open to you their books, in order that you may thoroughly understand the uselessness of the charge that existing methods are 'unsatisfactory'; that there is no 'duplication of effort,' no 'lost motion' in the marketing machinery, no appreciable 'manipulation'; that no 'wasteful' methods exist, so that further savings would be impossible. You are welcome to a full initiation into so supposed 'mysteries' of the trade, in order that you may understand that no real mysteries exist, but that the grain

trade as now conducted is the most thoroughly competitive of all lines of trade and hence is the most economically handled, bringing to the producer the largest possible result for his toil. Therefore, it is no doubt the duty of everyone to acquaint himself with the workings of the grain exchange before trying to replace it with an untried experiment.—Advertisement 46 ft."

TESTIMONY OF F. W. BOYLE.

Mr. BOYLE. I am vice president and general manager of the Federated Marketing Service, Indianapolis, Ind.

Senator LADD. What is that service?

Mr. BOYLE. That is primarily a purchasing organization, organized by the farmers of Indiana and grain dealers in that State. It is a federation of farmers' associations.

If there are any particular questions that you want to ask, I will try and answer them. I understand I was called here to relate my experience.

Senator LADD. I think the committee would like to have you make a statement. I understand you were present at this meeting that has been referred to?

Mr. BOYLE. I was.

Senator LADD. I suppose that was the subject you wanted to talk about?

Senator KEYES. Yes; that meeting in Cincinnati on July 27, 1921. You were present at that meeting?

Mr. BOYLE. I was.

Senator KEYES. Were you there as a representative of any organization?

Mr. BOYLE. No, sir.

Senator KEYES. Were you there on invitation from anybody?

Mr. BOYLE. I received an invitation in a general way at the millers' convention in Indianapolis. The secretary announced at the meeting, just before adjournment, that he wished everybody would come to the meeting in Cincinnati on the following Monday, and I decided that that was highly interesting to me.

Senator KEYES. And you accepted the invitation?

Mr. BOYLE. I accepted the invitation, without notifying them.

Senator KEYES. All right, Mr. Boyle, you can tell us any thing that you care to bearing on this resolution before the committee at the present time. If you were present at this meeting, I should think that your experience at the meeting would be very interesting to the committee.

Mr. BOYLE. I arrived at Cincinnati, and went to the hotel and made inquiries, and such a meeting could not be learned of from the clerk. I gave the colored porter a dollar to show me where it was being held, and he pointed it out to me. There were two doors, and he said it was to be held "in that room there." I went to that room, and on the door was a placard that said to use the other door, and I went on to the other door, and it was an empty room used, perhaps, for banqueting purposes. I came back to this room that I was told the meeting was to be held in. I opened it and there was nobody in the room, so I sat down and waited. I did not wait long until a number of people appeared, and they all went through, not regarding the sign at all. They went right on through. I went in there with the bunch and sat down, and they soon called the meeting to order. All the faces were more or less strange to me. The chairman stated the purpose of the meeting.

Senator KEYES. Who was the chairman?

Mr. BOYLE. I don't remember who was the chairman, but Mr. Mansfield was very active, and it appeared he had charge of the meeting.

Senator KEYES. Did you know Mr. Mansfield?

Mr. BOYLE. I only had him identified there by their referring to him as Mr. Mansfield. I never saw the man before.

They called the roll of those invited. The secretary announced that there were 63 representatives, or representatives of 65 of the organizations that had been invited had responded and were present. There were some that had no representatives there. I don't remember all or a great many of the organizations. They had the resemblance of the national association of every important local organization, and the list as published in the Enquirer the following morning recalled to my mind that their names had been called, and after the roll call the chairman called their attention to a very critical condition existing in this country. He referred to the hysteria of cooperative movement headed by anarchists, bolsheviks, and that class of people. He said their influence was leading the farmers astray, and it was necessary to combat this influence or their interests were going to be destroyed or greatly damaged at least.

Senator KEYES. Whom did I understand you to say was the chairman of the meeting at that time and made these statements?

Mr. BOYLE. I am not able to identify the one who made those statements. It was the man who brought the meeting to order, and he was a stranger to me. But I presume he was the authorized chairman as it was published in the literature at the time. I forget what his name was.

Mr. BLACK. Was it Reynolds?

Mr. BOYLE. No, it was not Reynolds. It was an Illinois man, if I am not mistaken. I could not say positively who it was.

He pointed out to the meeting that it was very important that they take some active steps to fight this thing. He said that it had taken the form of special legislation as well as commercial activities, and that there was a real menace from that source; class legislation was being asked for; and he even mentioned the fact that there was a contention for a law denying the importation of farm crops into this country. He said there was a law in demand, or a demand for a law, to legalize and define cooperative marketing, and that law, if enacted in the form which the self-styled agriculturists, as he called them, wanted it, would permit cooperative institutions to use our terminal markets in grain and live stock, as well as some of the other terminal markets, for farm products; and he appealed to the people present to seriously consider interests in combating a thing like this.

There was a sort of round-table conversation held, where they just discussed it, and different people were called on. One man, I think from Boston, interested in the hay and grain business, recited how his grandfather and his father had built up a great hay market and he had inherited it, and up until 18 months prior to that had been very successful; that with the advent of the direct marketing of hay his business had slipped away from him until he did not have anything scarcely to speak of in the way of a hay market.

A good many of those present were emphatic in their denunciation of the farmers' cooperative marketing system that would permit the entrance of cooperative marketing to the terminals. They appeared to agree with the chairman in what he said about how it threatened their interests.

It was suggested that a resolution be drafted, and it would possibly be better to have resolutions showing their attitude toward these things so that it would make the proper impression on the public. The committee was appointed and instructed to draw up two sets of resolutions, one for the press and the other set of resolutions to deal specifically with their campaign and method of carrying it out.

The committee drew those resolutions. They were brought in and approved by a unanimous vote of those present. In taking the vote many of the delegates present arose to say that they were not binding their organizations; that they were merely expressing their own desires in this matter, as they were not present as authorized representatives of their particular organizations. Perhaps 10 or 15 made similar statements. It was decided, I think, unanimously, that they should send their committee back to change some wording of the resolution, and while they were back considering that they were discussing this \$250,000 fund to combat this hysteria of cooperative marketing, and it was moved and seconded and unanimously carried that there should be a fund raised to combat this movement, and they decided the least possible amount that they could get along with was \$250,000, and that was the minimum which they would attempt to raise. They recessed then for a little while, just to discuss among themselves, while this committee was considering the resolution. They fell into little groups, like we are here, and I dropped into a group of four, including myself. We put our chairs together, and I said, "How do you think you will get along in raising this \$250,000?" One of the fellows said, "Well, I don't know whether we can raise it or not. It is pretty hard to raise money." Another fellow said, "We will just have to raise it, that's all. You fellows will have to come across."

One of the group pricked up his ear at the sound of my voice, and turned to the party who sat next to him, and one of that group that was spoken to went to the chair, and the chair came down and said to me, "Is your name Boyle?" I said, "Yes." He said, "Of the Federated Marketing Service?" I said, "Yes." He said, "We are so glad to see you. We have been looking for you all day. We heard you were to be here, and we want you to speak to us." I had reasons to believe that that was not what he wanted. I had reasons to

believe he wanted to identify me as a stranger, perhaps unfriendly to their taking that attitude. I didn't care to be identified, yet I didn't want to be balled out at the meeting, and I thought the best thing to do was to let him have his way and introduce me. I also thought if I did not let him introduce me I would not sit out the rest of the meeting, and I thought I could say some things to them that would be appropriate. So he introduced me, and I took the occasion to state to a certain group that the cooperative marketing was not a hysteria, but in my opinion was just a symptom of a disease that I did not think they needed \$250,000 to cure; not unless they had permitted the injustice to go on so far that it could not be stopped in the way former cooperative movements had been stopped. I said I thought if they would remove the injustice that the farmer felt was being done him, perhaps the farmer would forget about distribution and devote his time entirely to production, as he had always done in the past, and I told them also that I was surprised to learn that we had anarchists in this country; that I thought that they were confined largely to certain organized groups of labor, but later we were alarmed to find that perhaps they had gotten into some sections of our country where there were organized farmers; that last week I was greatly alarmed to find that apparently that same class of people, self-styled leaders, had gotten into the organized business interests of the community; that I did not feel that we had to seek out socialistic leaders, self-appointed, self-styled leaders, to appear before us and conduct our business, when they threatened to destroy our country by preaching socialistic dogmas and anarchy; and I said, "I have no fear that the men here will do the right thing with them; you will kick them out."

I want to say right in that connection that I was led to do that because it was apparent that those men brought there by this committee were not at heart men who would do things that would be an injustice to anybody, but they had received some virus at this time when business was bad; they wanted to help themselves, but didn't know just how. They were being led astray. I had heard at this meeting how they intended to handle the psychology of the farmer. The situation there was about the same between the farmer and those men gathered there, and I told them that I could apply the same psychology there and perhaps these fellows would not support their view.

The chairman twisted and squirmed and did not want that sort of thing to go to the audience. He coughed, but I paid no attention to him. I went right on, determining to continue until he called me down, as he did after a while. A very important matter of business procedure arose, and he was sorry to interrupt and all that.

After they had called on the committee to report with their resolutions, the chair got up and announced that those resolutions were so radically wrong that he would take it upon himself to send the committee out to draft those resolutions in such a way that they could not be misconstrued; that they would not give a wrong impression to the country, or show any signs of any desire to do any injustice to anybody. His instructions met every desire in my heart, as I expressed it.

They discussed at this meeting the manner in which they could most intelligently and effectually handle the campaign that they had laid out, and how they could best spend this money. There were varying expressions used of this nature; that they should make an effort first to defeat any legislation that would permit cooperative buying and selling in the terminal markets; that would define or legalize cooperative merchandising in those markets; that they should give some attention to the leadership in Washington and in the several States where county agents worked, and attempt to secure the kind of construction that would make it impossible for county agents to pass out information concerning markets and marketing. A gentleman by the name of Reynolds, who I believe was the same Reynolds from Lafayette, Ind.,—

Mr. BLACK. From Crawfordsville.

Mr. BOYLE. I said La Fayette, because he has a warehouse and elevator there. He discussed the county agents more thoroughly than anyone else present. He said that the National Grain Dealers' Association and those allied with it in whatever capacity had totally overlooked the damaging influence of the county agents in the past; that they would do well to consider it should use their influence, and should take no part in any of these movements; not even attend their meetings. He recited an instance that came under his observation of the commercial activities of county agents, and he said, "We can appeal to the city folks, the merchants, the bankers, and the business men in general in such

a way as to gain their support. We can show that their interests are at stake, too."

Senator Ladd. And direct their interests against those of the cooperative marketing movement?

Mr. Boriz. Against the county agents taking any part in the cooperative marketing. He said, "We have been advertising in a very extensive way, but we have overshoot the mark. We have lost sight of the farmers down there, and the country paper, and we can spend some of our money very effectively," he said, "in advertising to the farmers and the merchants and the bankers in the county papers. We can express our desires in this matter and our position," which he thought was a very honest and legitimate one, "and it would be an effective way to spend the money."

Now, there were others present who took up the farmer, and they discussed him and his peculiarities. I remember one gentleman said that the farmer's nature was such that they could win him away from any of these movements, from allying himself with any cooperative movement. He suggested that men in any walk of life could be influenced to suggest to the farmer the possible effect of this movement and the dangers to him. He said, "If you send a man down into a county and he learns that there has been a cooperative store down there and it has gone out of business, he can hunt around and find that some fellow's father or grandfather lost \$25 in that store, and he can go to him and suggest to him during the conversation that they are trying to do the same thing." He said, "You can meet them in a casual way in town and discuss the weather and other things, and then bring up this topic that there is a big cooperative movement going through the country, and you doubt the wisdom of anybody interesting themselves in it. I have known farmers to put their money in cooperative stores and lose it, and suggest that 'perhaps your father or your grandfather has had that experience.' Now," he says, "gentlemen, that man may be game enough to buy a team of horses when a recently purchased team laid down and died suddenly, or he might be game enough to buy another carload of hogs where cholera has killed a recent car, but he is not game enough to put \$10 in a United States Grain Growers' contract when his grandfather lost \$25 in a cooperative store a few years ago."

Now, that seemed to be the opinion of a great many of those who spoke; that it was a fertile field for activities, and it was pointed out that they would do well to not only discourage investment in this by citing previous movements but that they should try to take advantage of his suspicious of his fellow men and of his own people, pointing out that he was of a very suspicious nature. I would like to say that I believe they have been more active along the line of taking advantage of the knowledge they have of the farmer than they have in the legislation. There is that movement afoot. I have seen stories circulated and rumors about people who were handling the cooperatives that led me to believe that it really was an organized effort. Unusual interest taken by bankers and attorneys in spreading propaganda has indicated to me that there was a well-defined movement afoot. I have seen bankers whose actions were such as to lead me to believe they were trying to intimidate leaders. I refer particularly to bankers who had always been willing and anxious to make loans even for speculative purposes, such as cattle, up to seven or eight thousand dollars to the director of the United States Grain Growers for the State of Indiana, James Mason. Those banks indicated to Mr. Mason, as soon as he became allied with this movement, that he should reduce his borrowings from their institution down to \$1,500. He did so, being a director in one of them and stockholder, I believe, in the other and a large depositor in those banks.

I have seen attorneys take the contracts of the United States Grain Growers and discuss them with leaders interestingly at every opportunity; spend hours; and I have seen one attorney in particular go about the State, not being on some of the programs, who would maneuver to get on the program. Some one would ask for him, and he would discuss the matter. He had been a State official. He had farmed some 700 acres of land. He was elected treasurer of a guaranty fund of the Federation of Farmers' Associations at one time. I saw that man maneuver to displace other speakers on the program. I have in mind having been called to address a particular meeting in one of our counties, and I had to travel something over 100 miles to get there, and I told them that I wished them to let me know definitely if they had to have me. I got a wire the day before the meeting, saying that I need not come; that their program was really too full anyway. This attorney appeared at

that meeting, and one man called for him. He went on the platform and discussed the matter for two hours. They just kept asking him, one here and one there.

Now, I say that is evidence of the carrying out of the plan which they had laid down before the meeting at Cincinnati.

There were other men present at that meeting who discussed the advisability of breaking the farm groups into small warring factions. I presume it would be possible to find evidence of that activity if we wanted to discuss that.

They discussed how they could handle the banking interests of the country to create a sentiment against this thing. They pointed out the ease with which they could get the support of the banker because he had found it a fertile field for loaning money under the old plan, intimating that many of the elevators were really commercial banking institutions, where the bank's funds were used.

It was interesting to note that the leaders, not the ones that were interested themselves, understood the relations between the millers and the farmers better than the farmers really understood the situation himself. They pointed out the ease with which the farmer could, under a cooperative organization, market his product direct to the miller, and they said, "We have had to give that fact careful consideration and guard against the danger of those two interests working hand in hand, because if they do they will eliminate the middleman."

Then another one of those leaders said that there was a good opportunity to get hold of the leadership of the farm elevators. He said that could be accomplished very easily, because the manager had been schooled in the old way of doing business, and many of the leaders had grown up in the grain business in the old way of conducting it, and that there was great probability of success in an effort to try to win them over to their side and away from the cooperative movement. He pointed out that that was one of the factions that could easily defeat any gigantic movement that could be started.

I referred awhile ago to the use of this money among the farmers; and Mr. Reynolds spoke of those farmers as doubting Thomases, to work on first, and when they had created a doubt in their minds, they would not ally themselves with the movement, and they could depend upon that farmer to spread the information. About all they had to do was to just get the doubter, and they would take care of the rest of it; they would spread it among them.

After this little talk that I gave these people at this meeting I saw that to stay would only embarrass them, and I left the meeting, and one of the gentlemen got up and went along with me, followed me down to my hotel, and from the hotel he followed me on to the railroad station, and he stayed with me until I got my ticket and saw that I could not get back and get any more information. Of course the information was given out concerning this \$250,000 fund. The press agents, when they knew such a meeting was being held, easily got hold of more information than I could have gotten, and the clipping which Mr. Black introduced from the Cincinnati Enquirer has as much of that information as was available. They know that this meeting was in session and that there was a \$250,000 fund talked of and discussed.

Now, I don't know that it is necessary to introduce anything from these letters which I have. I have one, under date of January 17, from Dubois County Farmers' Association, showing that the thing Mr. Black referred to as a change of tactics was employed. This man writes our market service and says:

"We have been trying to find out from our members how much fertilizer they used this spring, with the intention of ordering through the federated marketing service. Some say that this is against the law, because we have no sample and the price. Please let me know if it is against the law. We would like to have samples, if you can, and also the different grades that we can get at the federated marketing service."

The first letter that came to my desk was from one of our speakers for our organization, who said he had been confronted with that question for the last 30 days—trying to intimidate these people by making false statements to them.

I have here another called "Flying Leaves," which shows another phase of their activity. It is a message that has been sent, without any signature to it, to all the fertilizer companies that were kind enough to transact business with our organization, and it contains a veiled threat. It does not say anything incriminating, I don't think. It reads as follows:

"Leaves sends the greetings of the season to all of its forbearing friends and its forgiving enemies, with the hope that after the holidays' illusory reveries are over they will get down to hard-boiled thinking, measured not by the past, but in terms demanded by the conditions that confront them in 1922. If the past is good to remember only for the correction of our blunders therein. If we correct those, our present and far-away realizations will move than compensate for effacing from our memory the refreshing waters that have gone over the race. 'Merchandising' as secret price cutting, along with all of the other venerable and hoard antiquities of the trade, has been scrapped. 'Good reasons' for their resumption will not again be heard. Reasons hereafter for commercial 'philandering' must be 'real reasons.' To take volumes of bagged business at cut prices, or furnish acid phosphate to pikers for the same purpose, because 'if you don't some one else will,' may be a 'good reason,' but back of that is the 'real reason,' which is that we wish to displace another's tonnage with our own. In the very nature of standard or domestic products, where the character and formula of a manufacturer is so like another, all goods, without any approach toward a price agreement, must in the nature of things be sold at practically the same prices, whether they bear a reasonable profit or no profit at all. 'Spotting' prices downward is like any other most deadly contagion, they will not stay 'spotted.' Each of us will get practically the same profit on his goods in 1922 as others do, or he will get a great deal less than he wishes to take. The price is not always to the swift nor the battle to the strong.' Table stakes will be the order of 1922 if the venturesome players wish the game that way."

Now, that letter went to those manufacturers who had dealt with us. They are getting others, they tell me, of the same tone.

We have one here that was sent to the farmers of Morgan County, Ind., that says, "What Morgan County (Ind.) farmers think." It does not show anything that would suggest that the grain interests were in any way back of it. It just wishes to remind the farmer to be careful in his business transactions, and the whole essence of that, as it bears on this case, is included in one sentence here:

"If the Government can exercise its power to fix prices and protect one class of people, it certainly has the same right and same power to protect another class."

(The letter referred to is as follows:)

WHAT MORGAN COUNTY (IND.) FARMERS THINK.

Morgan County (Ind.) farmers are typical of their class; they are American through and through and believe in high American standards of living.

Most of them vote the Republican ticket and are proud of it; they believe in the principle of protection of American labor and American industry. They have begun to wonder why this principle of protection can not be universally applied, so that all may participate in its benefits.

Morgan County men are reasonably clear thinkers and are not easily led astray by demagogues and radicals, and they think they know what is the matter with business.

The papers are full of news about exports and foreign exchanges; the foreigner's requirements and the foreigner's ability to pay. Little is said, however, about domestic exchange or the ability of our own people to pay.

The Morgan County farmer is unable to exchange his product on an equitable basis for the products of the labor of the railroad, mine, and factory. The factories have no business; dull times and suffering prevail in the city.

If domestic exchange can be made equitable, factories will resume and products will be consumed, and business will proceed in sufficient volume to provide a living for everyone.

Domestic exchange is not equitable, and will not be, as long as we have in this country classes preferred and protected by the law and other classes without such protection.

For example, we have railroad wages and conditions of labor fixed by law; the railroad rates are fixed by law sufficiently high to pay these wages and to pay a fair return on the present value of the capital invested, which, of course, includes the unearned increment.

The farming class, directly and indirectly, furnish one-half the tonnage hauled by the railroads; the farmers of the country feed and clothe the great army of railway workers with wheat, meat, and wool produced and sold in competition with the cheapest labor in the world. Is this fair?

The price of railroad wages and railroad rates are fixed by Government agencies, and the price of the food eaten by these men is fixed in the markets of the world.

The miners' wages have been fixed by Government agency, and the resulting high cost of coal is a contributing factor to the high cost of agricultural machinery, and yet the farmer feeds the miner with food produced and sold in competition with the cheapest labor in the world. Is this fair?

Then we have the products of the factories of manufacturing America protected by a tariff laid on imports. This tariff enables the factory owners to pay wages that will support and maintain the high standard of American living. The American farmer feeds and clothes these factory workers and pays dividend on the capital invested with food produced and sold in competition with the cheapest labor in the world.

Then we have ships and sailors, and the Government takes them directly under its wing. It is admitted that we can not manufacture ships as cheaply as Great Britain; by law, we say, that living and working conditions aboard ships shall be maintained at high expense, making it impossible to sail ships in competition with Japan and Great Britain. To take care of this situation the Government now proposes a ship-subsidy bill, which will equalize the conditions.

The products of the farm will furnish a large portion of the tonnage to be hauled by the subsidized ships, but this tonnage of wheat and meat must be sold in competition with the cheapest labor of the world.

The ships, railroads, mines, and factories, directly and indirectly, engage the attention of at least 50 per cent of our population, and each of them enjoys the favor and protection of the Government in one form or another. The other half of our population produce the food and raw material to feed and clothe the above-mentioned preferred class, and they produce their food and clothes in competition with the cheapest labor of the world.

Is this arrangement fair and equitable? What is the answer?

Unless the Government can extend the scope of its protecting laws so that all classes benefit, we must, of necessity, develop a peasant class, who will be satisfied with a bare existence, and the home market for manufactured goods will be destroyed.

Our factories will then be compelled to seek foreign markets for their goods, which will then be sold in competition with the cheapest labor in the world, and the American standard of living will be reduced accordingly; then the American farmer will be able to get his supplies on an equitable basis, and, theoretically, everyone should be happy, because things are equitable and the law of supply and demand controls.

However, this method is a long process; it means a tearing down and leveling; encountered resistance and turmoil will prevail.

The easier way is for the Government agency to fix the price for domestic use of the farmers' staple products.

The farmer will adjust his operations to supply only the domestic demands, or he must sell his surplus abroad for whatever price he can get; the surplus must be disposed of or else they must produce no more than is required here for domestic use.

The manufacturers have pursued this policy for years. Steel rails, steel nails, machinery, sewing machines, watches, etc., have been sold abroad when the domestic demand has been supplied at prices 30 to 40 per cent less than goods command in our domestic trade; there is no reason why the farmer should not pursue the same plan.

Our exportable surplus of foodstuff is only a very small per cent of the total produced, and this is sold in competition with the cheap labor of India, Russia, South America, and Australia, and the price so fixed is the price for our domestic demands.

If the Government can exercise its power to fix prices and protect one class of people, it certainly has the same right and same power to protect another class.

"Our country can not exist half slave and half free." Which shall it be?

Mr. BOYLE I introduce that to show that they were trying to have us shy at big things and take up some price-fixing program.

Now, at Camden, Ind., under date of December 20, 1921, there is this little folder that was gotten out by one Horace S. Case. I don't know Mr. Case, but every farmer in that district, so I am informed, received one of these in his

mail box. It is so ridiculous that the local papers called us to find out if they would be justified in giving publicity to the charges that were made, showing their endeavors to prejudice the minds of the membership against their leaders, and making false statements with a recklessness that is peculiar to some of these fellows. I will not take your time to read that.

(The pamphlet referred to is as follows:)

TO THE FARMERS, FEEDERS AND FRIENDS OF HUMANITY, AND ALL WHO HOLD DEAR
AT HEART THE WORLD'S INHABITANTS, INTEREST AND WELFARE.

CAMDEN, IND., December 20, 1921.

DEAR SIR: The farmers and business interests to-day are in a more dangerous situation than the man between the devil and the deep sea. Farming and business is between trust greed control and red hell. Many of the ones employed by farmers' clubs as officers are under the trusts' control, and many of them are not aware of the fact.

If many of the influential farmers could look behind the curtains and see who were piloting the craft they would not believe their own eyes. They should organize a committee to investigate and learn how many of their dollars have been wasted by fast living, pleasure trips, and general carousals. Salaries from \$2,500 for favored kids up to \$15,000 and expense account of many thousands for the leading ones that are piloting the squandering process.

It is a fact that should be plain to all, one to two years ago, that the farmers would experience a serious attack of stomach trouble in the near future, and millions of dollars have been added to the bankruptcy account of agriculture.

The unsophisticated farmer is more submissive to the halter without a ring than a bill with that all-inclusive equipment attached.

I wish to suggest here that it will take, require, and have to receive some very drastic control of the farmers' club organizations to extricate or pull them out of the hole and mire in order to accomplish any real lasting benefit or enhancement of their interest through the farmers' club organizations.

The ones responsible for squandering or spending of so many millions of dollars of bankrupt agriculturists' hard-earned dollars should be relieved of any responsible position hereafter. They were informed of the consequences and storm that would be sure to result from this outrage for the squandering by dividing up for each and every one of the favored few, salaries of 5 or 10 times what their ability of learning and experience would command or justify.

I will give names of a few of the favored gentry:

J. R. Howard, president of farmers' organization, \$15,000 and \$3,000 for expenses; John G. Brown, president, \$10,000 and expenses; Everett McClure, \$8,000 and expenses; C. H. Gustafson, president, \$16,000 and expenses; Frank M. Myers, secretary, \$12,000 and expenses; William G. Eckhart, treasurer, \$15,000 and expenses; F. L. Burdick, assistant counsel, \$7,500; Clifford Thorne, general counsel, \$15,000 and expenses; Lee Mosier, director of information, \$6,000.

Organizers, \$300 per month, traveling in parties of 10, making \$3,000 a month for pleasure trip.

And after the offices were allotted and salaries adjusted there seemed to be some question as to where they would obtain this trifling amount of dollars, and some very necessary mind and brain power in time of need were sought to relieve the trouble and seek a loan of \$1,000,000 was the plan devised by those brainy employees.

How well they succeeded or successful they were perhaps some of those busy brainpower minds can explain.

When one of these gents does not measure up to the standard or expectancy there seems to be no other alternative only to dig up and continue to fork over. He is a leech for the future generation to cope with.

Where and what were these very valuable officers and employees of the farmers' clubs at the time the railroad corporations were working for the passage and succeeded in their effort of passage of a bill virtually adding from \$50,000 to \$100,000 to the tax duplicate of the State of Indiana for erecting sign boards at railroad crossings, an expense that should be borne by the railroads, the ones responsible for the cause of the danger sought to protect, and where were they at the time the railroad corporations were working for and did succeed in the passage of a bill creating or permitting freight-rate increase to the tune of over \$1,000,000,000 a year. At that time some assistance was granted

by the railroad corporations to obtain excursion tickets to the coast and Canada for the ones that should have been looking after and protecting the people's interest from the railroad corporate greeds.

And all this time the side and terminal tracks were lined with idle cars, both empties and cars storing profiteers' goods, that were being held for raises and speculation; the cry went up from all railroads and speculators: "No cars," which was a damned lie, and the ones so anxious to help circulate the lie were equally guilty, and officers that were employed to protect the farmer's interest and neglected to should be held equally guilty with leaders of the steal at the time.

All agricultural products could have been sold for prices higher than ever known, and afterwards were marketed at 25 per cent of that price, and bankruptcy of the farmers was the result.

During all the time that they were singing that outrageous lie notice that they must either move the agricultural products or pay for the goods without any more poliofoxing there was more than one way to handle those thieves, and many that were supposed to be looking after the farmers' interest, were double-salaried grafters.

Damage suits with bankruptcy proceedings should have been instituted immediately requiring moving of said products.

Respectfully,

HORACE S. CASE.

Senator LADD. Do I understand that they are federated together?

Mr. BOYLE. Yes, sir.

Senator LADD. And for two years they have been so federated?

Mr. BOYLE. Yes, sir.

Senator KEYES. Just a word in regard to this meeting in Cincinnati. Was there anything done while you were there toward actually raising any funds?

Mr. BOYLE. No, sir.

Senator KEYES. No subscriptions were made, or anything of that sort?

Mr. BOYLE. No.

Senator KEYES. Was the same man presiding at the meeting when you addressed the meeting as presided at the opening of the meeting?

Mr. BOYLE. Yes, sir.

Senator KEYES. And you do not know who that man was who presided?

Mr. BOYLE. No, sir.

Senator KEYES. Can you give us the name of the man who came with you after the meeting to the hotel and from the hotel to the station?

Mr. BOYLE. No, sir. He had taken no active part, and I had no way of identifying him at all.

Senator KEYES. Was there any roll call taken on the vote as to the adoption of the resolutions in the form in which they were introduced?

Mr. BOYLE. I am not positive. My best recollection is that there was a roll call on those resolutions, and also on the motion to raise this fund, or that created this \$250,000 fund.

Mr. BOYLE. I feel it unnecessary to introduce again this copy of the Cincinnati Enquirer, since you have that.

I believe that is all, unless by way of explanation you want to ask for some other information.

Senator LADD. Are you a member of the Farm Bureau?

Mr. BOYLE. Yes, sir; and a member of the Indiana State Grange and have been its State lecturer.

Senator KEYES. Have you always lived in Indiana?

Mr. BOYLE. For thirty some years.

Senator KEYES. All your life, or most of your time has been devoted to agricultural interests during the last 30 years?

Mr. BOYLE. I have had a little experience in the buying of fertilizer, which has led me out into the selling side of it once. I at one time traveled for one of our companies buying and selling fertilizer locally and on the road for them at one time. But farming has been my life-time occupation. I have lived on a farm all my life until September 13th of this year, and when my work is done in this I will go back to the farm, because I do not want to live anywhere else.

Senator KEYES. How old an organization is the Federated Marketing Service? Mr. BOYLE. The Federated Marketing Service itself is now in its second year. It grew out of the joining together of the purchasing agencies of the

Indiana State Grange, the Farmers Elevators of Indiana, a State organization that has been doing contract work, making contracts for the elevators, and the Federation of Farmers Associations. Those three constitute the official make-up of the Federated Marketing Service.

Senator LADD. You are quite positive that was the amount that was suggested—\$250,000?

Mr. BOYLE. That was to be the minimum. It was stated that they should not stop at that amount. There was a real need for more, but they could not get along with less than \$250,000.

Senator LADD. These circulars that were sent out, most of them were the result of that organization?

Mr. BOYLE. I feel that they are the result of it.

Mr. BLACK. I might add there, Dr. Ladd, that the office of the special executive committee charged with carrying on this program against the United States Grain Growers and farmers cooperative movements in general was opened in Chicago right after the Cincinnati meeting was held. This office was located in the Western Union Building, in which building is also located the office of Bartlett, Frazer & Co., the firm that Mr. Mansfield was associated with. All of the posters and letters and press material were sent out from his office, as were the speakers who went around to farm communities and discussed the program.

Senator LADD. The business was first conducted at Chicago after that meeting, and then later they discontinued the office?

Mr. BLACK. Yes, sir. There was an office in Chicago right after the Cincinnati meeting.

Senator LADD. Who were Bartlett, Frazer & Co.?

Mr. BLACK. Bartlett, Frazer & Co. was one of four large firms that owned public elevators in Chicago. They are also a large warehouse, doing both a cash grain business, and a large amount of speculative business.

Mr. COULSON. I would like to enter the appearance of Thorne & Jackson for the American Farm Bureau Federation, and United States Grain Growers (Inc.).

(At 11.10 o'clock p. m. the hearing was adjourned subject to the call of the chairman.)

INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING LEGISLATION FOR THE RELIEF OF AGRICULTURE.

SATURDAY, JANUARY 28, 1922.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call, at 11.15 o'clock a. m., in room No. 200, Senate Office Building, Senator Henry W. Keyes presiding.

Present: Senators Keyes (chairman) and Ladd.

Senator LADD. Mr. Snyder, do you care to be heard first?

Mr. SNYDER. Yes, sir.

TESTIMONY OF RALPH SNYDER.

Senator LADD. Give your name, address, and occupation.

Mr. SNYDER. Ralph Snyder, Manhattan, Kans. I am a farmer and president of the Kansas State Farm Bureau.

Senator LADD. You are familiar with the resolution that has been introduced, and any information that you have you can give in your own way and proceed as you like.

Mr. SNYDER. The resolution, as I understand it, is for an investigation of the alleged \$250,000 slush fund which was supposed to be raised to fight the organization known as the United States Grain Growers (Inc.).

Out in my section I find that when this proposition was first brought up a great many newspapers—dailies and the farm press—carried full-page advertisements attacking the United States Grain Growers. Their methods seemed to be to prejudice the minds of the people against this organization, alleging that it sought to upset economic laws—the law of supply and demand—to fix the price on grain, to organize a policy, and all that sort of thing; and wound up with warning against the socialistic tendency of this organization, alleging that we are socialistic. This we claim to be unfair, in that it has no socialistic tendencies, that it does not seek in any way to upset economic laws, and especially the law of supply and demand, but rather to keep that from being upset, as we claim it is, to a certain extent, at the present time in grain marketing.

It seems that they sent a great many large posters to all the banks of the country in my section, so far as I was able to find out, and to the elevator people. We have 700 of these cooperative elevators in Kansas.

We claim their methods are unfair in that they seek to create a prejudice against cooperative marketing. We claim that our proposed plan does not in any way tend to be socialistic or paternalistic, seeking only to organize in a business sort of way. I do not know that I have any other statement to make unless you have some questions.

Senator LADD. You have referred to those who are attempting to break up the cooperative movement, but you have not identified who the people are, or the organization.

Mr. SNYDER. These advertisements and posters were signed by the Grain Dealers' National Association.

Senator LADD. Do you know who the officers are supposed to be of that association, or who the representatives are that sent out this propaganda?

Mr. SNYDER. As to the officers, I do not know that I could state definitely, to my own knowledge. Their representative, Mr. Atwood, came to Kansas to talk,

and I heard him myself. He stated he was representing the Grain Dealers' National Association, and I heard him make one speech, and talked with him the day he made it.

Senator LADD. Did I understand you to say that he made remarks or charges that would indicate that the cooperative movement was not desirable, or that he was attempting to destroy that?

Mr. SNYDER. Yes; and his attack was on the United States Grain Growers' movement. He claimed that it was—I do not know that I can quote his exact language, but the inference that he seemed to draw, the conclusions he seemed to try to reach, was that it was socialistic, and that it was being led by demagogic leaders, and that it was in every way destructive to economic conditions and the law.

Senator LADD. This United States Grain Growers is what organization? Whom do they represent? Who are the members and officers?

Mr. SNYDER. It is an organization of grain growers, for the purpose of marketing their own grain in a more economical manner than it is being marketed now through the regular channels.

Senator LADD. As to their members?

Mr. SNYDER. Their members—it is a voluntary membership. They pay a membership fee of \$10; they are incorporated as the United States Grain Growers (Inc.), and the membership consists of grain growing farmers all over the United States.

Senator LADD. I do not know that I have any other questions.

Senator KEYES. When was the United States Grain Growers incorporated? How old an organization is it?

Mr. SNYDER. I can not give you the exact date.

Senator KEYES. Approximately?

Mr. SNYDER. The meeting at which we decided to incorporate was held April 6 and 7, 1921.

Senator KEYES. And it was incorporated under the laws of what State?

Mr. SNYDER. Delaware.

Senator KEYES. Can you give us some idea as to the number of members of the organization?

Mr. SNYDER. The number of members of the organization at the present time—the last report I saw they were in the neighborhood of 40,000, as I remember.

Senator KEYES. Distributed over how many States, would you say, approximately?

Mr. SNYDER. I do not know that I can give you the exact numbers. One of the other witnesses can.

Senator LADD. In the Central West?

Mr. SNYDER. Yes; Nebraska, Iowa, North Dakota, Minnesota, Illinois, Oklahoma, Missouri; mainly in those States and Colorado.

Senator KEYES. Perhaps you covered this before I came in; if so, do not repeat it, but did you state the object of this organization?

Mr. SNYDER. I stated that.

Senator LADD. He covered that.

Senator KEYES. That is all right, then. I did not know that. I think that is all I have to ask.

TESTIMONY OF C. H. GUSTAFSON.

Senator KEYES. Give your full name and occupation to the stenographer, and your residence.

Mr. GUSTAFSON. C. H. Gustafson; my home is Lincoln, Nebr.; my office at the present time, Chicago, Ill.

I am a farmer and president of the United States Grain Growers (Inc.).

Senator KEYES. You are familiar with the resolution that is before the committee?

Mr. GUSTAFSON. Yes, sir.

Senator KEYES. We will be glad to have you make any statement with regard to the resolution that you may care to make.

Mr. GUSTAFSON. Well, the farmers of the United States at a convention created a Committee of Seventeen, for the purpose of devising some means whereby they could market their grain in a national way.

Senator KEYES. About when was that meeting held?

Mr. GUSTAFSON. July 23, 1920, in Chicago, Ill., and the committee was soon afterwards appointed. One of the members of the committee was Mr. Ladd, and myself, and Mr. Snyder, who just appeared before the committee. They were members of the Committee of Seventeen. This committee worked for seven months, investigating all sorts of marketing facilities, both cooperative and otherwise, not only in the United States and Canada but gathered information from all civilized countries of the world, and completed its report in April, 1921, at which time a delegate convention of 107 delegates—farmers—representing all the different farm organizations interested in grain marketing, met at Chicago and acted on the committee report.

After three days and two evenings discussion, the committee report was adopted unanimously, 103 out of 107 delegates being present.

The United States Grain Growers was incorporated on April 20, 1921, under the laws of the State of Delaware; a board of directors composed of 21 farmers was elected. Most of these men, a good many of them, being active in the cooperative grain-marketing movement, and some of them experienced in the handling of grain at local and terminal points.

At first the opposition, the present grain trade, did not pay much attention to us; tried to laugh it off; that it would not succeed, but about June 27 a meeting was held in Cincinnati, Ohio, and this resolution names organizations who were represented at that meeting. I was not present at the meeting, and whatever I have to say along that line of information is through the press and those who were there. As I have said, a resolution was adopted proposing to raise \$250,000 to combat our movement, and some money undoubtedly was raised, and a committee was organized with headquarters at Chicago, known, as stated in the press, as the Mansfield Committee. Speakers were sent to different parts of the country agitating and speaking and arguing against the United States Grain Growers (Inc.).

I particularly recall that Mr. Mansfield himself made a talk at Lansing, Mich., and I was invited there to answer the charges that he had made, the charges principally being that we were a radical, socialistic bunch of farmers, that our movement was dangerous and not in the interest of the farmer, and so on, etc. Later on I met Mr. Atwood in Kansas in a debate along the same lines.

A large amount of printed matter was sent out in all parts of the grain-growing territory of the United States, copies of which we would ask permission to file with the committee.

Senator LADD. I think they can be filed.

Mr. GUSTAFSON. If they are not on file already.

We claim that our proposition is safe and sound. It is a businesslike proposition. It is in the interest of the producer as well as of the consumer. It is truly cooperative in its nature, not in any way monopolistic or a combination that would be injurious to the American people.

We admit that anyone has a right to defend his business, but we only ask that they be fair and tell the truth when they do so. I personally do not take any delight in knocking or criticizing the other fellow's system, knowing, as a farmer, that his system is not satisfactory to myself or other farmers, and our intention is to place in competition with the present unsatisfactory system something that might be better and we believe will be better. All we ask for is a fair opportunity to compete with the present system.

We do not ask for privileges of any kind; at least I am opposed to privileges to farmers as a class or any other class. I do not ask for any appropriation of money to any special class. We only ask that legislation may be had that will make it possible for us to compete on a fair basis, on the cooperative basis, which we believe is a good, sound, economic way of doing business, handling farmers' products, shortening the route between producer and consumer. It is not a money-making scheme. It is a money-saving proposition. We propose to handle the grain at the necessary cost of handling grain properly, distributing back any savings that might be made to the producers, in proportion to the amount of business done or furnished to the association. It is strictly a producers' organization—that is, only those who produce grain or receive grain rent can become members of this organization. It is a nonstock, nonprofit organization. The plan provides for the necessary machinery to handle grain at local and terminal points. Our aim is to get grain as directly as possible from the producers to the miller and the exporter.

I do not know, Mr. Chairman, that I care to make any further direct statements, but would be glad to answer any question that I can answer.

Senator LADD. In order that we may have it for the record: Before you identified yourself with the Grain Growers' Association, you had considerable experience in cooperative selling?

Mr. GUSTAFSON. Yes, sir; about eight years ago I was elected president of an organization in Nebraska, a farmers' organization, whose principal efforts were to develop cooperative marketing, and a number of the cooperative institutions were established from year to year, such as grain elevators, creameries, and live-stock marketing, and some buying of the necessary things that the farmers need was done, a cooperative insurance company was established, and so on. This business amounted to millions and millions of dollars.

Senator LADD. Of business?

Mr. GUSTAFSON. Of business. The last year I was connected with our live-stock company cooperative, we handled, if I remember correctly, \$20,000,000 worth of live-stock, charging the regular commission, and giving the regular service, and paying patronage dividends at the end of the year, which amounted to 50 per cent of the commissions charged; that is, if a shipper paid us \$15 for the selling of a car of live stock he received \$7.50 in dividends at the end of the year. Several hundred thousand dollars have been paid out by that organization alone in the way of savings on commissions.

The price brought by the company for its customers was as good as, or better than, the average prices of other commission companies and at the end of four years—the last report I had I think was in October last year—handled 262 cars more live stock than the next highest grain organization in the Omaha yards. There are 22 commission companies there.

Those are some of the activities I was engaged in.

Senator LADD. Wheat is handled largely?

Mr. GUSTAFSON. Yes; we had several elevators doing millions of dollars worth of business at a great saving on the cooperative plan.

Senator LADD. And your membership in that association—how many members did you have?

Mr. GUSTAFSON. Thirty-five or forty thousand. I resigned last April, when I became identified with the United States Grain Growers.

Senator LADD. What is the membership of the United States Grain Growers?

Mr. GUSTAFSON. A membership campaign is on, started last summer in a small way, and the membership now, I think, is very close to 38,000. I believe that I have something that I can verify here; 33,965 is our last report. This membership is in 11 of the principal grain-growing States, Indiana, Illinois, Iowa, Missouri, Kansas, Oklahoma, Colorado, Nebraska, a few in Wyoming, South Dakota, North Dakota, and Minnesota. The campaign for membership is now on in practically all the States, particularly in five of them, in quite an extensive way. We have nearly 1,000 elevators signed up—969 in the last report I have.

Senator LADD. Would you tell us from what source this opposition seems to come? Do I understand that it comes from competing elevators or chambers of commerce, or what is the source?

Mr. GUSTAFSON. The principal opposition comes from the boards of trade, and chambers of commerce, and grain exchanges of Chicago, Omaha, Kansas City, Minneapolis, and others.

Senator LADD. Does this association do business, or propose to do business, through those chambers of commerce and exchanges, or what is the reason for this, the apparent reason?

Mr. GUSTAFSON. That is not fully decided. We have by resolution a permit to apply for memberships in these associations, but we have not done so.

Senator LADD. And authorization from your membership?

Mr. GUSTAFSON. Board of directors.

Senator LADD. Has there been any opposition on the part of chambers of commerce and exchanges to prevent farmers' cooperative organizations from becoming members?

Mr. GUSTAFSON. Yes, sir; lots of it.

Senator LADD. They do not allow them to become members?

Mr. GUSTAFSON. I beg your pardon?

Senator LADD. My understanding is that they do not allow them to become members.

Mr. GUSTAFSON. That is correct; until just recently I understand the farm organizations have obtained memberships in the Kansas City Grain Exchange, but not according to the cooperative plan. It is just a straight grain commission firm membership.

Senator LADD. What is the apparent reason for their opposition, the grain exchanges?

Mr. GUSTAFSON. I have had a great deal to do with that and have applied for membership in grain exchanges, and as I find it the principal opposition is if we go in there and adopt our patronage dividend plan, they will have to reduce the commissions or else go out of business. That seems to be the reason.

Senator LADD. The other members of the exchange?

Mr. GUSTAFSON. Yes, sir; the other members of the exchange; in other words, they are fighting and opposed to this idea of patronage dividends. They call it a rebate. We call it a patronage dividend.

Senator LADD. I think for the present that is all.

Mr. GUSTAFSON. May I amplify by saying when I made application they told me if we would give up that idea it would be all right; but if we wanted to maintain the idea of the patronage-dividend plan, nothing doing, even though we offered to abide by every other rule in the exchange by proving we were of good character and business standing, and so on; but, in spite of all that, they said we could not become members.

Senator KEYES. May I inquire if any of these applications you made for membership were made from August last? That was the time we passed the futures trading act.

Mr. GUSTAFSON. We have not applied for membership since then. We are still waiting to see what the outcome will be of the Supreme Court decision on that law.

Senator KEYES. Your applications were made prior to the passage of that?

Mr. GUSTAFSON. Yes, sir.

Senator KEYES. The activities of your present organization, the United States Grain Growers, is confined to grain?

Mr. GUSTAFSON. Yes, sir; grains of all kinds.

Senator KEYES. I think that is all.

Senator LADD. If you have any other statements to make we will be very glad to have them in the record.

Mr. GUSTAFSON. I can not think of any at the present time.

TESTIMONY OF H. M. HILL.

Mr. HILL. I am considerably handicapped in my hearing. You will have to speak rather directly. I do not get the sense of the meeting or the testimony at all.

Senator KEYES. Your occupation and residence, please?

Mr. HILL. I am a farmer and have no other source of income—live on the farm; am from La Poudre, Kansas.

Senator KEYES. Just tell us your own story in regard to your interest in this resolution that is before the committee at the present time.

Mr. HILL. I have direct knowledge of the propaganda that has been put out by our grain dealers. I am the president of a local farm organization in our county, and am well acquainted with the bankers all over the county and with the different local grain organizations, cooperative grain organizations, and during the last year I know that they received letters direct from the grain dealers' organization warning them against cooperative organizations by the farmers for the purpose of selling grain.

I saw two of these circulars myself, and heard the bankers in our county in an open meeting give testimony to the effect that practically all of them had received these letters. The two letters I saw were just general letters, in which they warned the business men against the idea that farmers could conduct this business in the same systematic and economic way that the grain dealers had, but the bad feature of the propaganda, from our standpoint, was that these letters wound up by the exact wording, "remember the Non-Partisan League."

We object to being linked with the Non-Partisan League in any way, shape, manner, or form.

As a member of considerable experience in the organization and the helping of farmers in their organizations, I have tried for a great many years to steer clear of the radical element, and we realize that that is a danger to our real farmers' organizations, and, of course, they are trying to take advantage of that particular failure in farm organizations in the West. We are trying

to steer clear of that, and do not wish to be linked with them in any shape, manner, or form.

Senator LADD. You say that there has been a great deal of propaganda and attempts to prevent the farmers from cooperating. Have they succeeded in getting away any of your members?

Mr. HILL. I do not think so at all. No, sir; I am not alarmed by that situation in the least. However, I wish to say in my particular section we have anticipated and tried to stop the effect of that propaganda. I am rather inclined to think, so far as we are concerned, if the grain dealers will spend twice the sum for propaganda in my section, they will succeed in getting an organization of genuine farmers, for the real purpose of getting the cooperative effort. But, understand me, our position is this: We are just simply warning our members against that and keeping them well informed, and we are keeping close touch with our bankers and merchants, and those who would naturally work against us.

Senator KEYES. Did I understand you to say that the bankers would naturally work against you?

Mr. HILL. They will naturally work against any such an organization as the Non-Partisan League. That is the idea I want to give.

Senator KEYES. I did not quite understand you.

Do you find that the bankers are antagonistic to the work that you are trying to carry on?

Mr. HILL. Not at all. They are distinctly favorable to us.

Senator KEYES. They are rather helpful?

Mr. HILL. Yes, sir, decidedly so.

Senator LADD. I guess that is all.

TESTIMONY OF C. H. GUSTAFSON—Resumed.

Mr. GUSTAFSON. I want to state to the committee that this is a strictly grain-merchandizing organization, composed, as I said, of farmers, regardless of who they are or where they belong. It is the united effort by practically every farm organization of any consequence in the United States.

The members of the Committee of Seventeen were composed of representatives of all leading farm organizations. The 107 that met in Chicago were representatives of all the different farm organizations, so it is a united effort of different farm organizations to develop this farmers' marketing plan.

I do not know whether I did explain fully just the details of our way of going after this or developing this marketing plan. We sign up the farmers with the United States Grain Growers for a 5-year contract that runs to our local cooperative elevators, and provides that all the grain that the farmer sells outside of his own community—that he does not sell to his neighbor for feed—shall be marketed through our organization, giving him the privilege to market whenever he wishes. The time is not determined by us, but by the farmers; nor the quantity, but is determined by him. We are to be, in other words, his commission firm.

All the grain that is signed up to us, the country elevator signs a contract with the United States Grain Growers that they will deliver to us, leaving the local operation and control of the local cooperative elevator entirely in the hands of the local people. There is no financial responsibility assumed by the local elevator, and no membership. That contract is signed free of cost. The farmer pays \$10 for his own membership for life when he joins the United States Grain Growers. There is no other assessment or fees of any kind. The \$10 is being used to organize and afford the necessary facilities to operate this contemplated plan. After it is put in operation there will only be deducted from the grain the actual operating expenses of the company, it being a nonstock, non-profit concern.

I believe I have overlooked making that plain to the committee.

Senator KEYES. I do not think you did state that.

Senator LADD. In that connection, who constitutes the officers of the Grain Growers, how many are there, and how long do they hold office?

Mr. GUSTAFSON. There are 21 directors under our present arrangements. It is composed of actual farmers, and most of them men formerly and at present engaged in cooperative marketing work. They are selected from all principal parts of the grain growing States, where grain is principally grown.

The first board was elected last April, and serves until the 21st day of March this year, when the first board retires. The new board selected at

that time will be elected, half of them for a term of one year, and half for a term of two years. The members meet at their local shipping point in the early part of February to select the delegates to go to the congressional districts, with as many votes as there are members in that community. At the congressional district meeting these delegates select one delegate to go to the next meeting at Chicago, representing the membership of that congressional district with as many votes as there are members in the congressional districts, so that every farmer belonging to the congressional district has a voice and vote in the election of directors and determining the policies of the organization.

If a farmer who has joined and become a member should quit the farming business, he automatically goes out as a voting member. He does not have a vote, but if he should go back into farming, he comes back and is a member, his membership being renewed without any extra charges.

Senator LADD. I think that is all the questions I have.

Senator KEYES. Do you have a copy of the contract?

Mr. GUSTAFSON. Our attorney will be on the stand, and he will take up the contract question.

Senator KEYES. I would like to have a copy put in the record.

Mr. GUSTAFSON. Mr. Thorne will appear before you.

TESTIMONY OF CLIFFORD THORNE.

Mr. THORNE. My name is Clifford Thorne, of the firm of Thorne & Jackson, Chicago. I am general counsel for the United States Grain Growers (Inc).

Senator KEYES. You are familiar with the resolution before this committee?

Mr. THORNE. Yes, sir.

Senator KEYES. We will be very glad to hear you make any statement that you desire to make.

Mr. THORNE. You have been conducting several hearings that I have not had the privilege of attending. I feel that I might cause duplication in making a general statement.

I might, in a few sentences, relate my connection with the work, and present a copy of the contract, and leave it with you.

Senator KEYES. Very well.

(The contract referred to is as follows:)

U. S. GRAIN GROWERS (INC.)

COPY OF ELEVATOR COMPANY CONTRACT.

This agreement made and entered into this ____ day of ____, 19__, between the U. S. Grain Growers (Inc.), a nonstock, nonprofit corporation duly organized and existing under the laws of the State of Delaware (hereinafter referred to as the U. S. Association), party of the first part, and the ____, a corporation (or) association, duly organized and existing under the laws of (hereinafter referred to as the Elevator Co., unless otherwise specifically indicated), party of the second part,

Witnesseth:

In consideration of the mutual obligations of the respective parties hereto, of similar obligations between other elevator companies and the U. S. Association, of the expenses incurred and to be incurred by the Elevator Co. in providing local facilities for weighing, grading, storing, handling, processing, and shipping grain; of the undertaking on the part of the U. S. Association to provide competent statistical, financial, and other expert assistants, to establish crop and market news-gathering agencies, and to acquire the use of marketing facilities for the purpose of providing an efficient cooperative marketing system for grain for the purpose of providing the producers with better credit and storage facilities which will tend to make possible a more even distribution of grain throughout the year, thereby tending to stabilize prices; and in order to reduce waste in handling, to encourage a more efficient production, to reduce transportation costs by more direct shipments from points of origin to centers of consumption, to make less frequent and violent fluctuations in prices due to speculation, and to reduce the excessive costs occasioned by the present wasteful, uneconomic system of marketing the grain crops of the United States.

Now, therefore, said parties agree as follows:

SECTION 1. The Elevator Co. agrees to market through the U. S. Association all the grain contracted to it for sale or shipment by members of the U. S. Association (hereinafter called the growers) under the terms of a contract between the said growers and the Elevator Co. (hereinafter referred to as the growers' contracts).

Sec. 2. The U. S. Association agrees to endeavor to sell said grain directly, or otherwise, to millers, manufacturers, exporters, or others within or without the United States at the best prices obtainable by it under market conditions, in accordance with the terms of this contract.

Sec. 3. Any grain from growers covered by this contract that is in possession of the Elevator Co. and unsold upon the effective date hereof may be committed for sale under this contract.

Sec. 4. The U. S. Association shall make rules and regulations for standardizing the manner of keeping warehouse and elevator records and accounts and for making reports required by the U. S. Association; and the Elevator Co. shall observe and obey all such rules and regulations and shall permit the examination or auditing of said records, accounts, and reports by the U. S. Association.

Sec. 5. The Elevator Co. agrees to make reasonable requests of growers for such crop and statistical data as the U. S. Association may desire, and to transmit the same promptly to the said U. S. Association, using such form for that purpose as may be provided by the said U. S. Association; and the U. S. Association, upon reasonable request therefor, shall furnish the Elevator Co. for the use of the grower, market news and other information in its possession concerning the valuing of the grain and market conditions of grains and related products in this and other countries.

Sec. 6. The U. S. Association may make rules and regulations and provide inspectors and weighers to standardize the methods of weighing, handling, storing, and shipping of grain, subject to this contract; and the Elevator Co. agrees to observe and perform any such reasonable rules and regulations as may be prescribed by the U. S. Association not in conflict with State and Federal rules, regulations, and statutes.

Sec. 7. The Elevator Company shall report to the U. S. Association any lien or liens upon the grain covered by this contract, and the U. S. Association may, within its discretion, pay off all or any part of such lien or liens and deduct such payments and any costs connected therewith from the proceeds of the sale of such grain. The Elevator Co. shall warrant the title to all grain committed to the U. S. Association for sale, except to any incumbrances reported to the Elevator Co., in writing prior to the time of shipment.

Sec. 8. Upon that grain which is committed to the Elevator Co. to be sold on the basis of a contract to be determined from the net resale value thereof, less deductions for the cost of handling, the U. S. Association, within its discretion, may make advance payments as market and financial conditions warrant; provided, the Elevator Co. shall fully protect the U. S. Association against losses thereby.

Sec. 9. It is expressly agreed and understood that all debts of the U. S. Association shall be incurred in its own name and without responsibility therefor on the part of the Elevator Co., except when specific authority or approval of the same in writing shall have been given by the Elevator Co.

Sec. 10. The U. S. Association is exempted from liability for losses incurred in marketing and selling grain covered by this contract that are not due to its own negligence.

The Elevator Co. shall be responsible for and charged with allowances, deductions, or losses made or sustained by the U. S. Association arising from the negligence of the Elevator Co.

Sec. 11. Joint pools.—In consideration of the mutual obligations of the parties hereto, that the Elevator Co. shall furnish the necessary facilities for local handling and shall sell exclusively through the U. S. Association the grain received from members of the U. S. Association, and that the U. S. Association shall undertake to supervise the joint pooling of grain as defined in the growers' contracts, and shall undertake to provide the facilities which may be reasonably necessary for the same, it is hereby agreed between said parties as follows:

(a) The local pooling committee, as defined in the growers' contracts, or other duly authorized agency, shall receive, weigh, process, warehouse, and ship all grain committed to a joint pool by members of the U. S. Association, subject to orders of the U. S. Association which shall be observed and performed insofar as the facilities available reasonably permit. The U. S. Association

shall classify all pooled grain by variety, quality, grade, or any other commercial standard and mingle or pool said grain with grain of like classification committed to the pool by others participating therein.

(b) The U. S. Association may order the transfer of said grain to any elevator and direct the manner in which it is handled therein.

(c) The U. S. Association shall undertake to sell said grain, together with grain of like classification and grade committed to the pool by others, at its own discretion in respect to time, conditions, and terms, at the best prices obtainable by it under market conditions, collect the proceeds, and shall pay over the net amount received therefrom, as payment in full to the authorized representatives of those participating in the pool, according to the value of the grain contributed by each of them, after making deductions for the cost of handling and such other charges against said grain as are authorized by this contract, and also making such credits as may be due.

(d) The growers under contract with the Elevator Co. under the growers' contracts, participating in a joint pool, agree that their grain shall be so mingled and that the net returns therefrom, less all costs of handling, advances, and charges, shall be credited and paid to them on a proportional basis, considering all differentials and adjustments, out of the receipts from the sale of all grain of like classification.

(e) The pool shall be for a crop year, and payment shall be made from time to time, as rapidly as practicable, within the discretion of the U. S. Association, in due proportion until the accounts of the pool are fully settled.

(f) The U. S. Association may borrow money in its name on the grain through drafts, acceptances, notes, or otherwise, on any warehouse receipt or bill of lading, upon any accounts for the sale of the grain or on any commercial paper delivered therefor.

(g) Losses due to failure of customers or banks and losses occurring in the handling, storing, shipping, or marketing of pooled grain shall be charged against the pool and not against the individual grower or local pooling committee or other agency delivering the grain directly affected thereby, provided the said loss is not due to the negligence of the said parties delivering the grain.

The foregoing agreement as to the handling of joint pools is severable and distinct from the balance of this contract; and the terms and conditions stated elsewhere in this agreement do not depend upon any of the provisions contained in this section.

Sec. 12. Deductions for the cost of handling.—The proceeds from all sales of grain made by the U. S. Association shall be paid by the purchasers thereof to the said U. S. Association, which proceeds shall be blended into one general fund; and the U. S. Association shall deduct from said proceeds such uniform amounts or percentages as shall be deemed necessary from time to time by the duly constituted officers or representatives of the U. S. Association, in order to defray all expenses properly chargeable to the handling of such grain; and also certain other deductions shall be made in order to provide special funds for carrying out the purposes of the U. S. Association. The deductions stated in the preceding sentence shall be described in this and all related contracts as deductions for the cost of handling. The net proceeds from said sales above advances which have been made by a properly constituted authority shall be paid to those entitled to the same, in accordance with the usual customs of the trade in handling such transactions.

The special funds mentioned in the preceding paragraph shall include those deemed necessary by the board of directors of the U. S. Association for the acquisition by purchase, lease, or otherwise, of the control of property to be used by the said association or affiliated organizations, for the retirement of obligations incurred in the purchase of such property or in the operation of the business of the said association, for any debt due and unpaid from the grower to the U. S. Association, and whenever otherwise specifically authorized in writing by the grower; for the creation of reserves for such retirements, for renewals; and for any other expenditures which the said U. S. Association, its officers or agents are authorized to incur.

So far as practicable all capital expenditures and interest charges on investments in marketing facilities shall be incurred by self-sustaining subsidiary, or affiliated organizations, and appropriate charges shall be levied against the grain using the facilities furnished by such organizations. All operating and capital expenditures which are lawfully incurred in accordance with the powers and duties of the U. S. Association shall be prorated fairly and justly in accordance with the judgment of the officers of the U. S. Association against

the grain necessitating such expenditures; provided, however, that if the grain is sold on a grain exchange, and no other service of a substantial character is rendered by the U. S. Association, the total expenditures which shall be considered chargeable against said grain shall in no case exceed 1 per cent of its value unless the standard charge for similar service shall be more than 1 per cent, in which case said total charges by the U. S. Association shall not exceed such standard charge. On other grain where facilities requiring capital investment are used, the maximum deductions for any one year from the proceeds of all sales of grain to be made for capital expenditures, interest charges, etc. (aside from ordinary operating, including overhead expenses) in order to acquire the ownership or control over marketing facilities shall in no case exceed 1 per cent of the value of the grain so handled by the U. S. Association. The distinction, in accounting between capital and operating income and expenditures, shall be in accordance, so far as practicable, with the rules adopted for common carriers by the Interstate Commerce Commission.

The amount of deductions for the cost of handling, as above specified, shall be estimated by the board of directors of the U. S. Association, and shall be so established as to yield as nearly as may be a sum of money equivalent to the operating and capital expenditures and reserves, and such other expenses as may be reasonably estimated as essential to be incurred by the U. S. Association, and its subsidiary organizations, for the ensuing year. In case a sum in excess of such requirements shall be collected during any fiscal year, it shall be set aside, or invested to meet the obligations or needs of the future, for the use and benefit of the growers; unless the same shall be relatively large and substantial, in which case the U. S. Association may distribute all, or a part of the same, to its members in proportion to the grain sold through the U. S. Association, at such time as it shall determine. And the Elevator Co., for valuable consideration, receipt of which is hereby acknowledged, waives all right, title, and interest in and to any portion of such funds.

It is understood and agreed that this contract and the contract between the grower and the Elevator Co. provide fully and adequately for the equitable distribution of the proceeds from the sale of grain by the U. S. Association or its subsidiary organizations, and that any charges and deductions hereunder revert back to the benefit of the grower through his membership in the U. S. Association.

The U. S. Association shall issue certificates to the Elevator Co. indicating the proportionate amounts of the deductions for capital expenditures and of the excess from other deductions attributable to grain received therefrom; and the Elevator Co. shall issue proportionate certificates based thereon to the member of the U. S. Association. Such certificates shall indicate a pro rata interest in such deductions, distributable only in the form, at a time and in the manner determined by the U. S. Association. The said certificates shall be assignable freely by indorsement, but shall not be deemed as obligations of the U. S. Association with definite or other maturity, and shall not bear interest; and they shall not represent any obligations or rights, other than a proportionate ownership in certain assets held by the U. S. Association, which shall not be separable or subject to distribution during the life of the U. S. Association, except at the option of the duly constituted board of directors of the U. S. Association.

Sec. 13. *Term of contract.*—This contract shall be in force from its execution to June 30, 1927, and thereafter shall continue in full force and effect as to each of the parties hereto from year to year, until the same shall have been terminated by either party in accordance with the following terms and conditions:

(a) Notice in writing of said termination must be given by such party desiring the same to the other party at least 45 days, and not more than 60 days, prior to the close of the contract year, at the end of which it is sought to terminate the contract.

(b) The party desiring to make such termination must, prior to the effective date of the same, pay any indebtedness then due the other party.

(c) If the foregoing conditions are fully complied with, this contract shall thereupon be terminated on the date named. Provided, however, that this shall not affect any uncompleted sales or transactions between the parties hereto, nor release either from any indebtedness then unpaid or hereafter accruing under this contract, nor relieve the Elevator Co. from its obligation to sell to or through the U. S. Association, nor the U. S. Association from its obligation to market and sell, as the agent of the Elevator Co., all of the grain committed

to it or purchased by it from members of the U. S. Association that was grown during the preceding season or seasons subsequent to the execution of this contract.

Sec. 14. On all grain which has been delivered to and is under the control of the Elevator Co., and covered by this contract which the Elevator Co. fails to market through the U. S. Association in accordance with the terms and conditions herein stated, the Elevator Co. agrees to pay to the U. S. Association and said U. S. Association agrees to accept the following sums per bushel as liquidated damages: Wheat, 5 cents; rye, 5 cents; flax, 10 cents; for all other grains, 3 cents.

Sec. 15. It is mutually understood and agreed that the U. S. Association has a special interest in the enforcement of contracts between its members and the Elevator Co., and may bring action thereon in its own name, in the name of the Elevator Co., or in the name of the grower, as the occasion may justify.

Sec. 16. If this contract is executed by the Elevator Co. as distinguished from a local grain growers' association, the said Elevator Co. represents itself as incorporated under the cooperative law of the State where operating and as paying patronage dividends.

In witness whereof the parties to this agreement have hereunto set their hands and seals the day and year first above written.
[Copy signatures from original elevator contract.]

U. S. GRAIN GROWERS (INC.),
By _____, President,
Party of the first part.

By _____, President,
Party of the second part.

Post-office address: _____

RESOLUTION AUTHORIZING EXECUTION OF ELEVATOR CO. CONTRACT.

I, the president of the _____ do hereby certify that the following resolution was regularly adopted at a meeting of the directors of the said corporation held at _____ State of _____, on _____, 192—:

Resolved, That the officers of this corporation be and they are hereby authorized and directed to enter into a contract with the U. S. Grain Growers (Inc.), for the handling of the grain of the members of that corporation, in such form as the board of directors of this corporation may approve.

President.

Attest: _____, Secretary.

U. S. GRAIN GROWERS (INC.)

GRAIN GROWERS CONTRACT.

This agreement made and entered into this _____ day of _____, 19—, by and between _____ (here insert name and post-office address of elevator company grain growers' association with whom the grower contracts) a corporation (or) an association duly organized and existing under the laws of the State of _____ (hereinafter referred to as the Elevator Co.), and having its principal place of business at _____, party of the first part, and the undersigned producer of grain as owner (entitled to crop rental), or as tenant, of land located in the counties of _____, State of _____ (hereinafter referred to as the grower), party of the second part.

Witnesseth:

That whereas the Elevator Co. is the owner of, or has contracted for the use of, facilities for weighing, grading, storing, and shipping grain in the county aforesaid, and has by contract with the U. S. Grain Growers (Inc.) (hereinafter referred to as the U. S. Association), appointed the U. S. Association, an agricultural organization, instituted for the purposes of mutual help and not having capital stock or conducted for profit, as its exclusive sales agent and not the marketing of grain of the members of said U. S. Association, in order to correct

the present wasteful and uneconomic methods of handling grain, and in order that the said grain can be marketed and distributed on a cost basis; and

Whereas the grower is a bona fide producer of grain by virtue of owning or operating farm land, is entitled to the ownership and control of all or a part of the grain produced thereon, and is a member of the U. S. Association; and Whereas the grower desires to sell, and the Elevator Co. desires to purchase, or handle for sale, all the grain that shall be produced as hereinafter provided:

Now therefore, the parties agree:

In consideration of the mutual obligations of the respective parties hereto, of the outlays and expenses incurred, and to be incurred, by the Elevator Co. in carrying out the purposes of this agreement, and in consideration of the benefits derivable from the contractual affiliations of the Elevator Co. with the U. S. Association.

SECTION 1. The Elevator Co. agrees that it shall provide by ownership, lease, or otherwise, facilities for weighing, grading, storing, and marketing grain; that it shall receive and handle as hereinafter specified, or shall purchase at prices, and upon such terms, as are hereinafter set forth, all the grain hereinafter mentioned tendered to it by the grower in accordance herewith; that it shall market all said grain through the U. S. Association according to the terms and conditions of the contract between the U. S. Association and the Elevator Co. which is attached hereto and made a part hereof as though copied herein.

This contract shall govern all the grain which is controlled by the grower, and produced upon land described in the preamble of this agreement which he now owns, or shall hereafter own or operate during the life of this contract, and all such grain as he now has in possession, but not grain required and used by the grower, or sold by him locally for local use for seed or feed, or sold otherwise with the written approval of, and upon the terms and conditions prescribed by, the U. S. Association.

SEC. 2. During the life of this contract the grower agrees to deliver and sell to the Elevator Co., or otherwise market through said company, all the grain covered by this contract, and grown upon the land above described, at a price to be determined as hereinafter set forth.

SEC. 3. It is hereby agreed that nothing in this contract shall deprive the grower of control in any degree over his own acreage or production.

SEC. 4. This contract shall become effective with respect to its provisions concerning grain 10 days after receipt by the grower of a written notice to that effect by the Elevator Co. This contract shall be in effect from such date to June 30, 1927.

This contract shall extend automatically and continue in full force and effect as to each of the parties hereto from year to year after June 30, 1927, until the same shall have been terminated by either party as to any kind of grain in accordance with the following terms and conditions:

(a) Notice in writing of said termination must be given by such party desiring the termination to the other party at least 45 days, and not more than 60 days, prior to the close of the contract year at the end of which it is sought to terminate the contract.

(b) The party desiring to make such termination must, prior to the effective date of such termination, pay any indebtedness then due the other party.

(c) If the foregoing conditions are fully complied with, this contract shall thereupon be terminated on the date named. Provided, however, such termination shall not affect any uncompleted sales or transactions or uncompleted obligations on current commitments between the parties hereto, nor release either from any indebtedness then unpaid or hereafter accruing under this contract.

SEC. 5. The title to the grain covered by this contract shall remain with the grower, unless otherwise specified herein, until delivered at point of storage or shipment designated by the Elevator Co.; at the time of such delivery title to the said grain shall pass to the Elevator Co. when paid for except when otherwise agreed upon by the parties hereto, except as to shipment by the grower on consignment, in which case title shall remain with the grower until sold by the U. S. Association and unless some other arrangement shall be effected by mutual agreement between the parties at the time of the transaction.

SEC. 6. Upon notice in writing to the Elevator Co. by the grower, the contract between the grower and said Elevator Co. may be transferred to such other elevator company affiliated by contract with the U. S. Association as the grower shall designate, upon such terms as the U. S. Association shall approve.

Upon dissolution of the elevator company or failure for any other reason of said elevator company to function under the terms of this contract, all right,

title, interest, and obligations of the elevator company shall immediately be transferred to the U. S. Association and shall then be subject to assignment to such other elevator company or grain growers' association as the U. S. Association shall elect.

It is further agreed that the grower may, from time to time, deliver his grain covered by this contract to another elevator company than the one executing this contract, provided the other elevator company has executed a contract with the U. S. Association for the exclusive handling of growers' grain through that agency, and provided the condition of the roads or the inability of the Elevator Co. to handle the grain because of lack of storage or transportation facilities renders it necessary, and for any other reason held to be good and sufficient by the U. S. Association.

SEC. 7. This contract can not be assigned, unless otherwise specifically provided herein, to any person except to the purchaser of, and in connection with the bona fide sale of, the land owned by the grower at the time of the execution of this contract, or except as it may be assigned by one tenant to another tenant, by an owner to a tenant, or by a tenant to an owner, succeeding to the former respectively in the operation of the land covered by this contract. In case of such transfer this document may be filed with the Elevator Co., and a new contract may be executed in lieu thereof. Any other attempted assignment shall be of no force or validity whatsoever.

SEC. 8. This contract shall be terminated whenever the grower shall for any reason be expelled from membership in the U. S. Association; but such expulsion shall not affect the rights and liabilities of the parties hereto as to the unmarketed grain then in the possession of either party.

SEC. 9. Whenever the grower delivers any grain to the Elevator Co. he shall give the Elevator Co. a signed statement showing what liens, if any, there are upon such grain; and the Elevator Co. shall have the right to pay off all or any part of the said lien or liens in order to perfect further its title to the grain, and thereupon the said Elevator Co. shall make proper dedications for the same from the proceeds of the sale of said grain belonging to the grower. If the amount of said liens is excessive in the judgment of the Elevator Co., the grower hereby agrees to pay off sufficient to reduce the same to the amount stated by the Elevator Co. to be reasonable, or the Elevator Co. may handle said grain on the consignment basis, by and with the consent of the mortgagee.

SEC. 10. The Elevator Co. agrees to observe and perform such rules and regulations covering the inspection, grading and weighing of grain as may be established by the U. S. Association not in conflict with State and Federal rules, regulations and statutes.

SEC. 11. From time to time, upon the reasonable request of the Elevator Co., the grower shall furnish such crop and statistical data as requested, on the forms provided for that purpose by the Elevator Co. or the U. S. Association. The Elevator Co., upon the reasonable request of the grower, shall furnish the grower for his use such information concerning market conditions and quotations as it shall have in its possession.

SEC. 12. The Elevator Co. shall pay, and the grower shall accept as payment, for any and all of the grain covered by this contract, a price to be determined by one of the methods described in sections 13 and 14, as the grower may elect. The said right of election applies to each kind of grain separately.

SEC. 13. *Method A, individual sales method.*—The grower shall sell to the Elevator Co. all grain covered by this contract which is not otherwise provided for by a valid election of the said grower, in accordance with either of the following methods, method A-1 or method A-2, or by any other method mutually agreed upon which is in harmony with the other provisions of this contract. The grower shall declare his choice of method at the time of the delivery of the grain to, or upon the order of, the Elevator Co.

A-1. He may sell for cash at a price offered by the Elevator Co.

It is expressly understood and agreed that the Elevator Co. shall resell grain so purchased from the grower through the U. S. Association, but the same shall be sold at the discretion of the Elevator Co. in respect to time, place, and quantity and without regard to the action of other companies or individuals employing the U. S. Association as a sales agent.

A-2. The grower, singly or jointly with other growers, may consign grain through the Elevator Co. for sale by any method by the U. S. Association, in which case control of time of delivery, shipment and sale shall remain with the grower, and the net proceeds of sale, less deductions for costs of handling as hereinafter provided, shall be returned to the grower. This is without re-

gand to the action of other individuals and companies employing the U. S. Association or Elevator Co. as sales agent.

The Elevator Co. is hereby exempted from liability for losses in handling, storing, shipping, and marketing grain committed to it on the consignment basis where the negligence of the Elevator Co. is not the proximate cause of such loss or damage.

In all shipments by the individual sales method the U. S. Association shall act solely as sales agent for the grower or the Elevator Co., and shall exercise no power of regulation or control over time of sale, time of shipment, destination, quantity of grain to be sold, or over the price at which the grain shall be sold, except as the grower, under method A-2, or the Elevator Co., under method A-1, from time to time may, at their option, delegate to the U. S. Association authority to determine such questions as to individual transactions.

Inasmuch as the failure or refusal of the grower to deliver to, and market and sell through, the Elevator Co. the grain governed by this contract will cause detriment and injury to the Elevator Co., will impair its efficiency and the obligations of contracts to which it is a party, and will increase its expense and liability to damage, all of which items it is impracticable and extremely difficult to fix with precision; therefore, if the grower shall fail or refuse to market or to sell through or to the Elevator Co. any grain covered by this agreement, then the grower agrees to pay to the Elevator Co., and the Elevator Co. agrees to accept, the following sums per bushel: Wheat, 10 cents; rye, 10 cents; flax, 20 cents; and all other grain, 6 cents for all grain covered by this contract which is sold, marketed, or withheld by or for the grower other than in accordance with the terms hereof, as liquidated damages for the breach of this contract. The above agreed items are predicated upon average prices and market conditions for a period of years.

None of the aforesaid payments are to be construed to be a penalty or forfeiture but as stipulated liquidated damages which are hereby agreed to as reasonably representing throughout the period covered by this contract what the Elevator Co. and the members thereof will suffer by reason of such refusal or default.

This option, described as method A, whereby the grower may sell individually to the local Elevator Co., is severable and distinct from the provisions contained in method B, is dependent upon the consideration of the obligation of the Elevator Co. to furnish facilities for the efficient marketing of grain through itself and affiliated companies and associations, upon the considerations stated in other sections (excepting therefrom sec. 14) of this contract, and upon the consideration of the obligation of the grower to sell all his grain covered by this contract to or through the Elevator Co.; and the validity and binding effect of the provisions contained in this section (13) shall in nowise be dependent upon or related to the provisions contained in section 14 of this document.

All the provisions of this contract save those contained in section 14 shall apply with full force and effect to the sales of grain governed by this section entitled "Method A."

Sec. 14. *Method B, pooling method—B-1, local pool.*—(a) The grower may agree to have all of any kind of grain delivered by him to the Elevator Co. commingled and mixed with grain of like kind and grade delivered by other growers and the same sold during such period of time as may be agreed upon between the growers, provided storage and transportation facilities shall permit, in which case he shall receive, as payment, the average price secured for all grain of like kind and grade so commingled and sold, less deductions for costs of handling as hereinafter provided and subject to such equitable differentials as said company may find necessary to establish. The various lots of grain sold under this method shall be known as pools. There may be established as many pool of grain as there are kinds and grades of grain to be handled. The pools shall include all the commitments for any one year.

(b) The price on the grain delivered by the grower shall be uniform with that paid other growers regardless of any variations in the price received from such sales for the several products of like kind and quality, subject to the differentials applicable and deductions for the cost of handling.

(c) On or before the 1st day of May of each calendar year (or at a later date if no such action has been taken previously, provided, 10 or more growers so desire) all the growers tributary to the Elevator Co. and signing this or other similar contract with the Elevator Co., who have elected to participate in the pooling of any kind of grain, may choose from among their number a committee of three, to be known as the local _____ pooling committee (stating in the

blank the kind of grain), hereinafter designated the local pooling committee, which committee shall exercise complete control over the handling, shipping and selling of all pooled grain, determining the time, quantity and destination of sales, and effecting all necessary contracts and other arrangements for storage, etc., which may be deemed necessary for the efficient marketing of said grain; provided, however, that these provisions do not apply to "joint pools," method B-2, where the U. S. Association shall be in control. The person designated by the local pooling committee to have charge of the handling of grain that is pooled and the proceeds of the sale of same, shall file a bond with the U. S. Association as trustee for the growers joining in the pools subject to their jurisdiction; the said bonds shall be in such form, and amounts, and with such sureties as required by the U. S. Association, guaranteeing the faithful performance of the duties of the said person so designated. The U. S. Association, on request, shall furnish all necessary plans, contracts, forms, etc., for the proper handling of the pools. The aforesaid local pooling committee, at the option of the majority of said committee, may delegate its powers to the Elevator Co., or other agency, on condition that the grain is marketed through the U. S. Association.

(d) The purpose of these provisions is to secure control over the pooling of any kind of grain in the hands of those who pool. If satisfactory arrangements can not be made with the Elevator Co. for handling the pooled grain, then the said local pooling committee, or committees, handling one or more kinds of grain, shall have the privilege of contracting for the storing and handling of the said grain or grains through any other elevator or warehousing company or agency as they may determine, without any regard to any conflicting provisions in this contract; provided the other agency handling the same shall contract for the exclusive marketing of the said grain through the U. S. Association.

In the election of said local pooling committee each of the said growers shall have one, and only one, vote. The period for which said local pooling committee shall be chosen shall be the period which will include all the pools of that kind of grain for that year, or until their successors are elected and qualified. The compensation, if any, of said local pooling committee shall be at the option of the growers so pooling their grain, and shall be paid by them pro rata.

(e) The local pooling committee shall have authority to determine when deliveries of grain shall be made. A grower may express his preference and the local pooling committee will be guided thereby so far as practicable.

(f) The local pooling committee shall weigh, classify, and grade the grain delivered to the pools by the grower; credit the grower therewith; mingle or pool said grain with grain of like kind and grade delivered to the pools by other growers; and, at its discretion, clean, condition, blend or process the pooled grain to increase its value as food or as an article of commerce.

(g) The local pooling committee shall furnish the grower a "delivery ticket," and such other documents as may be required, upon the delivery of his grain, which shall show the classification, grade, and weight of the grain delivered, the pool to which it has been commingled, and any advance payment made upon it, and other information that may be required.

(h) The local pooling committee shall determine the grade and quality of all grain tendered in accordance with rules and regulations established by the U. S. Association for pooling purposes. Regardless of what grade shall be ultimately placed upon said grain at the terminal markets, the aforesaid grading by the local pooling committee shall control the proportional distribution of the net proceeds from the sale of said grain among the growers participating in any pool.

(i) The local pooling committee shall sell through the U. S. Association the grain so pooled, at such times, in such quantities, and for such deliveries, as the local pooling committee shall deem advantageous, and at the best prices obtainable through the U. S. Association under market and transportation conditions, together with grain of like classification delivered to the pool by other growers who have signed this or a similar contract, and pay over the net amount realized therefrom as payment in full to the growers, according to the value of the grain delivered by each of them, due debit and credit being given for all deductions for cost of handling, differentials and adjustments made by the local pooling committee.

(j) In order to compensate properly the holder of delayed shipments, reasonable carrying charges on different kinds and grades of grain may be fixed from time to time by the local pooling committee, to be credited to growers selling on the pooling basis.

(k) The local pooling committee may transfer pooled grain from the local elevator to terminal or other elevators for storage or other purposes.

(l) The local pooling committee is authorized to exercise, without limitation, all the rights of ownership over the grain covered by this contract; to mortgage, pledge, or hypothecate in its name, on its own account, all such grain, or evidences of the ownership or control of said grain, including bills of lading, warehouse receipts, etc. The local pooling committee shall distribute said funds pro rata among the growers participating in the pool, or it may use part thereof for meeting expenses in the handling of the pooled grain.

(m) Any deductions or loss occasioned by the delivery on the part of the grower of grain of inferior grade or condition shall be charged against the grower and deducted accordingly from the proceeds going to the said grower.

(n) Losses occurring in the handling, storing, shipping, or marketing of pooled grain not covered by paragraph (m) shall be charged against the pool and not against the individual grower delivering the grain directly affected thereby.

(o) The local pooling committee shall make as substantial an advance payment on the grain committed to the pool as, in its discretion, market and financial conditions permit, and as soon as practicable after its delivery.

(p) The proceeds from the sale of grain shall be paid from time to time, the final settlement being made within a reasonable time after the proceeds from the sale of all the grain in the pool have been received, and the deductions for costs of handling shall be determined.

B-2. Joint pool.—When a local pooling committee has been created, as above described, it shall be authorized to elect whether the grain delivered under this contract—that may be pooled with the grain of other growers locally—shall be pooled jointly with grain of like grade and variety of the growers in one or more local companies. In case the grower individually indicates his election to pool jointly (as provided in section 23) or in case the local pooling committee elects the joint pool, then the undersigned grower hereby agrees that all of his grain so pooled shall automatically become committed for sale under the joint pooling method on the terms and conditions above specified as to the local pool, except that the U. S. Association shall have the same control as the pooling committee does over the local pool, and shall have the grain sold in accordance with the provisions covering joint pools contained in the contract between the elevator company and the U. S. Association.

B-3. Partial grain pool.—The grower may elect, by an appropriate entry at the time of execution hereof in section 23, or at any subsequent time on an election blank to be provided by the U. S. Association for that purpose, to pool one-third of his grain therein. The term of such pool shall be from the date of such election to the termination of this contract.

The grain so pooled shall be under the control and management of the U. S. Association, which shall return to the growers joining in the said pool the total proceeds from the sale of the same, less handling costs, as is provided for joint pools. The U. S. Association may make such deductions and such advance payments as are provided for other methods of operation under this contract.

Inasmuch as the failure or refusal of the grower to deliver to, and market and sell through, the Elevator Co. will impair its efficiency and the obligation of contracts to which it is a party, will increase its expense and liability to damage, will hinder the collection of payments on grain, to the detriment and injury of the other growers participating in the said pool, all of which items it is impracticable and extremely difficult to fix with precision; therefore, if the grower shall fail or refuse to market or to sell through the Elevator Co. any grain covered by this agreement, then the grower agrees to pay to the Elevator Co., and the Elevator Co. agrees to accept, the following sums per bushel: Wheat, 10 cents; rye, 10 cents; flax, 20 cents; all other grain, 6 cents; for grain covered by this contract which is sold, marketed, or withheld by or for the grower, other than in accordance with the terms hereof, as liquidated damages for the breach of this contract; all parties agreeing that this contract is one of a series dependent for its value upon the adherence of each and all of the contracting parties to each and all of the said contracts. The above agreed items are predicated upon average prices and market conditions for a period of years.

None of the aforesaid payments are to be construed to be a penalty or forfeiture, but as stipulated liquidated damages which are hereby agreed to as reasonably representing throughout the period covered by this contract what the Elevator Co. and the members thereof will suffer by reason of such refusal or default.

In the event that it shall be necessary to enforce by judicial proceedings this contract as to grain pooled under method B, the Elevator Co. shall bring the action for the benefit of all growers who shall have committed their grain for handling under said method, and any damages recovered thereby shall be the property of said growers.

The grower hereby elects to market his grain covered by this contract as indicated in section 23 in accordance with method B during the period ending June 30, 1927, or the unexpired portion thereof. This election shall continue from year to year after said date until revoked by written notice to the Elevator Co., which shall be given within 60 days and not less than 45 days prior to the close of the contract year when the grower desires this election to terminate.

The grower reserves the right to make a similar election in the future on other grains if he so desires.

This contract to sell, described as method B, whereby the grower may pool his grain for sale, is severable and distinct from the provisions contained in method A, is dependent upon the special consideration of the receipt of average prices from the sale of grain in the pool; and the validity and binding effect of the provisions contained in this section (14) shall in no wise be dependent upon or related to the provisions contained in section 13 of this document.

All the provisions of this contract, save those contained in section 13, shall apply with full force and effect to the sales of grain governed by this section, entitled method B.

Sec. 15. In the event that any one or more of the foregoing methods which may be elected by the grower shall for any reason become inoperative or be held to be illegal by a court of competent jurisdiction from which no appeal can be or is taken, then, and in that case, the grower shall have the option of electing one of the other methods named.

Sec. 16. The Elevator Co., for the sake of uniformity, and in order to protect the grower against the misuse of grain committed to it for sale under any of the methods described herein and against the improper use of funds owing the grower as the result of any pools established thereunder, agrees to be governed by and to use such receipts and accounting forms as may be prescribed and recommended by the U. S. Association, and that with respect to such grain to report to and accept accounting supervision by the said U. S. Association.

The Elevator Co. hereby agrees that all persons responsible for the custody of grain covered by this contract, or handling money derived therefrom, shall be adequately bonded, and that, failing to require such bonds, the officers of the Elevator Co. shall be personally liable for any default.

Sec. 17. **Deduction for the cost of handling.**—On all grain governed by this contract the Elevator Co. shall be authorized to deduct from the proceeds of the sale of said grain the following:

(a) The amount charged by the U. S. Association for the handling of said grain, in accordance with the contract between the U. S. Association and the Elevator Co., attached hereto; and

(b) Such reasonable charges as may be established by the Elevator Co. for handling, weighing, cleaning, storing, or performing such other services in connection with the said grain as the grower may request, or as may be authorized by the terms of this contract.

Sec. 18. It is mutually understood and agreed that the services rendered by the U. S. Association and all subsidiary companies are to be rendered to the grower at cost; that the deductions for the cost of handling made from the proceeds of the sale of grain are payments on account; and that at stated periods the operating expenses will be determined, and any excess may be returned pro rata to the grower, or invested in facilities for the more efficient marketing of the grain. Annual reports of the said receipts and expenditures shall be made and a copy of same shall be furnished each contracting Elevator Co.

Deduction certificates, or other evidences of the same, shall be distributed among the growers in accordance with the provisions contained in the contract between the Elevator Co. and the U. S. Association attached hereto.

Sec. 19. On grain purchased or handled on the basis of a price, to be determined upon the net resale value thereof, less deductions for the cost of handling, the Elevator Co., regardless of who holds title, shall be liable for any loss or damage in the handling and storing of said grain, which is due to the negligence of the said company, but not otherwise.

It shall be the duty of the Elevator Co. to keep fully insured all grain held in storage.

SEC. 20. It is mutually understood and agreed that the U. S. Association has a special property interest in the enforcement of this contract and may bring action thereon in its own name, in the name of the Elevator Co., or in the name of the grower, as the occasion may warrant.

SEC. 21. The grower shall be permitted to market only that grain under the provisions of this contract, which he himself as land owner or tenant, has raised, or to which he is entitled from land which he may own and rent on the basis of a share of the crops raised thereon.

SEC. 22. If the standard form of contract between the U. S. Association and the Elevator Co., referred to herein, shall be changed as to administrative details or methods of transacting business, said change shall be deemed made in the form of said contract attached hereto, and this contract amended accordingly.

SEC. 23. Part 1. *Pooling method.*—The grower elects to market in accordance with B-1, known as the local pool, the following grain covered by this contract: _____

The grower elects to market in accordance with B-2, known as the joint pool, the following grain covered by this contract: _____

The grower elects to market in accordance with B-3, known as partial grain pool, the following grain covered by this contract: _____

Part 2. *Individual sales method.*—The grower elects to market in accordance with method A, known as the individual sales method, the balance of the grain covered by this contract, which is not listed under part 1 of this section.

SEC. 24. The signature of the grower to this instrument shall be considered an application for membership in the U. S. Association, with which the Elevator Co. is affiliated. The said grower agrees to comply with all the requirements as to membership, subscribes and agrees to the certificate of incorporation and by-laws of the U. S. Association, the receipt of a copy of which is hereby acknowledged by the grower; and the grower further authorizes the use of any or all of the \$10 initiation and membership fee in hand paid to the U. S. Association to be used for organization and other expenses incidental to the completion of the organization of the U. S. Association, the creation of and ownership of securities in subsidiary and affiliated companies and other agencies, the securing of memberships, the acquisition of terminal warehouse facilities, and for all other purposes authorized and deemed necessary by the board of directors of the U. S. Association for the immediate handling and marketing of grain and for the efficient organization of the grain-marketing machinery contemplated in this agreement.

SEC. 25. No party, his agent, or other representative, has the right to vary the terms of this written instrument; and it is expressly agreed that no oral changes or modifications of the same have been made.

In witness whereof the parties hereto, after a full reading and consideration of the terms hereof, have executed this contract on the day and year first above written.

(Signature of elevator company or local grain growers' association.)

By _____, President,
Party of the First Part.

(Signature of the grower.)
Party of the Second Part.

Witness: _____

Witness: _____

Post office _____

Wheat acreage (1921), _____; corn acreage (1921), _____; oats acreage (1921), _____.

The U. S. Grain Growers (Inc.) hereby acknowledges receipt of the \$10 initiation and membership fee from the above-named applicant at the place and on the date last above written, and hereby admits the said grower to membership and approves the foregoing contract and accepts and agrees to all obligations therein stated. If for any reason the said U. S. Association is not engaged in the actual sale of grain within two years from the date hereof, then the portion of the said \$10 which is not expended shall be returned to the said grower who executed the foregoing application for membership.

U. S. GRAIN GROWERS (INC.),
By _____, Agent.

_____, 1921.

The grower lives in _____ congressional district, State of _____. The elevator is in _____ congressional district, State of _____.

CERTIFICATE (FOR USE ON COPIES ONLY).

I hereby certify that the foregoing is a true and correct copy of the contract in the custody of the U. S. Grain Growers (Inc.).

U. S. GRAIN GROWERS (INC.),
By _____, Agent.

_____, 1921.

Mr. THORNE. Since 1906 I have been general counsel for the Corn Belt Meat Producers of Iowa, except when I was on the railroad commission. In 1917 I went back into the general practice at Chicago. I have been an attorney since going to Chicago, representing the Farmers National Grain Dealers' Association, an organization of several thousand cooperative elevators, handling grain, and a year ago I was made general counsel for the American Farm Bureau Federation.

About a year and a half ago Mr. Howard, president of the American Farm Bureau Federation, called a general conference of all the principal farm organizations in the country interested in the marketing of grain, at Chicago, to devise, if possible, some practicable way for the marketing of their products. At that conference this Committee of Seventeen was created, at which Mr. Gustafson was made a member, and you were also, Senator Ladd.

It was thought rather than evolve out of our inner consciousness a plan, we should make an appraisal of the methods which had proved successful among farm organizations in this country, and after several months' investigation, the plan, as adopted as the basis of the United States Grain Growers, was created. A set of contracts was drawn, and I have a copy of those here.

A committee of attorneys was appointed to review the papers. Former Solicitor General of the United States, Mr. Lehmann, was one member of the committee, and Mr. Brody, who was a former member of the law faculty of the State University of Nebraska, a member of the commission appointed by the governor to recodify the laws of Nebraska and draft a suggested constitution for Nebraska. Judge Park was a member; he was an attorney of Kansas City, and he was a former judge on the circuit bench of Kansas City. Mr. Sapiro was a member; Mr. George E. Farrand, general counsel for the California Fruit Growers Exchange, and I were also members.

We gathered together all of the cooperative contracts that had proven successful in any part of the country. We made a review of the statutes and the decisions applicable under those statutes, and this contract is the result of what we thought would be efficient and wise.

The papers, including the charter and by-laws, and the contract were submitted to the Federal Trade Commission, with a brief in support of legality, and we requested, if there was anything objectionable, or anything illegal in the program or plan, that we would like to have their criticisms. None were made.

The basis of the contract is as follows:

The grower is a member of a national organization. We find there have been developed in the grain belt very successful local cooperative agencies, known as the Farmers' Cooperative Elevators. These elevators, after 10 to 20 years, have been successful in the face of tremendous odds. They were fought by the line elevators and commission houses and the railroads, but after a long struggle they have won out. We did not want to hazard that which has been established, therefore we did not provide that the contract should run from the grower to the central agency. They run from the elevator to the agency. The contract provides that the growers may have the option as to whether they desire to pool their grain or ship by direct sales methods. That option we thought was proper for the farmer to decide. If the farmer elects to pool, we provide that he should do so for five years. If he elects the direct sales method, he may change at any time to the pooling basis. Many advocated a 100 per cent pool.

With reference to that proposition there is a great difference of opinion. Some people claim it is illegal. Some people claim it is legal. It seems that the farmer ought to be able to do what organized business is able to do. Organized business is able to buy up the plants, own outright 40 to 60 per cent of all of the units in the industry; that is true of the United States Steel Corporation. They not only contract for the handling of the output but dictate everything, from the purchase of a unit to the sale of an iron rail, or any of their other products. They own their ships, their mines, and sell their products, and decide the price they are willing to take. It is impossible for us to buy all the farms in the country, or 50 per cent of the farms.

The next best program is to allow some method by which the farmer can collectively contract for the sale of their product. In making that contract we believe that if the pooling proposition proves successful and wise and efficient and lawful, it will demonstrate that by experience and the rest of the farmers will change over to that method. If it does not prove to be the better method, or if the court should hold it to be illegal, the balance of the contract will stand.

Under Method A1, which is the individual sales method, the farmer reserves the control of the time of shipment, quantity of shipment, and price at which he will sell. Certainly, if you contract that with the most powerful and compact organizations that have been sustained by the Supreme Court of the United States, you can not possibly claim that there is anything in our plan in conflict with the antitrust law—the farmer retaining the control over the time of shipment, quantity of shipment, and the price at which he sells. The only obligation is that it must go through our agency. In other words, in order to have an efficient agency to eliminate the costs growing out of duplication and inadequate news, ineffectual representation, inadequate storage and finance, the farmers collectively want to provide those facilities, they want to provide the most expert salesmen, adequate storage facilities, adequate finance, and ship their produce to the most advantageous market. Any farmer is welcome. That is certainly not savoring of the idea of a combination in restraint of trade, when anybody is welcome to join who is in the business.

As to the pooling proposition, we find that the California courts have sustained the penalty clause.

In New York the supreme court sustained a contract for the milk producers, long before the California contract was sustained.

We find in Massachusetts a contract for the exclusive sale of ice was sustained.

This did not prevent anybody else in the ice business from handling it. They decided to create an exclusive sales agency for themselves.

We find in Iowa a penalty clause held invalid under certain circumstances, and we find in Illinois an attempt to exempt agricultural and live-stock products held to be invalid by the Supreme Court of the United States. We find in a contract in Colorado the penalty clause held to be invalid.

There is some conflict in the decisions, but with the decisions of New York, California, and Massachusetts sustaining contracts for the exclusive sales of products, and with the tendency for all business to become organized, we feel that this effort on the part of the farmers in the grain district to organize is alone sane, proper, and lawful lines.

Are there any questions you would like to ask?

Senator KEYES. I would like to have a copy of the contract go into the record. Mr. THORNE. Certainly. I have already handed one to the stenographer.

Senator KEYES. Do you have any personal knowledge in regard to the meeting referred to in this resolution, held in Cincinnati, June 27, 1921, or the raising of funds mentioned, namely, \$250,000, authorized to be expended in opposition to the United States Grain Growers (Inc.)?

Mr. THORNE. I personally have no knowledge of that. I saw a published statement, and I understood that Mr. Black, who is associated with us, brought the gentlemen who had personal knowledge.

Senator KEYES. Mr. Black testified, and Mr. Boyle also testified, but I wanted to know if you had any personal knowledge.

Mr. THORNE. I have not. My only object in making this statement is to give you a picture of our plans, so as to show you it is not subject to the charges made by these people against it.

Senator KEYES. It was very interesting.

Mr. THORNE. Thank you.

I have a list of our members by States, showing our growth by week and month in the various States.

Senator LADD. I think that should go into the record.

Mr. THORNE. At the present time there are 40,000 members, and almost 1,000 elevators, or local units, and, by the way, in that connection, it might be of interest to you to know that they are growing at the rate of more than 2,000 a week. By the time of the first national convention we will have close to 50,000 members, and it is conservative to estimate 2,000 bushels per man, considering the territory where our membership exists. That will mean a total volume under contract of 100,000,000 bushels. That will represent a very substantial institution in the grain industry. We expect to commence the actual sale of grain immediately after the March convention, if not before. With this volume

we will be enabled to hire the best of experts, and to get the best news-gathering agencies that are available, and to provide for contracts for direct sales to purchasers, millers, etc., so as to be of real value to the farmers.

(The papers "Elevators—United States Grain Growers—Membership growth by week" and "Grain Growers—United States Grain Growers—Membership growth by week" are as follows:)

Elevators—United States Grain Growers—Membership growth by weeks.

| Week ending— | Illinois. | Ne-braska. | North Dakota. | Indiana. | Missouri. | Iowa. | Oklahoma. | Minnesota. | Kansas. | Colorado. | South Dakota. | Accumulating total. |
|--------------|-----------|------------|---------------|----------|-----------|-------|-----------|------------|---------|-----------|---------------|---------------------|
| July 9 | ..... | ..... | 24 | ..... | ..... | ..... | 8 | ..... | ..... | ..... | 9 | 24 |
| 21 | 10 | 35 | 39 | ..... | ..... | ..... | 10 | ..... | ..... | ..... | 1 | 92 |
| 28 | 16 | 57 | 74 | ..... | ..... | ..... | 10 | ..... | ..... | ..... | 1 | 207 |
| Aug. 13 | ..... | 84 | 97 | ..... | ..... | ..... | 18 | ..... | ..... | ..... | 1 | 215 |
| 29 | 101 | ..... | ..... | 6 | 16 | ..... | 19 | ..... | ..... | ..... | 9 | 331 |
| Sept. 3 | 101 | ..... | ..... | ..... | ..... | ..... | 20 | ..... | 4 | ..... | 2 | 345 |
| 10 | 82 | 107 | ..... | ..... | 17 | ..... | 20 | ..... | 7 | ..... | 3 | 376 |
| 17 | 101 | ..... | ..... | ..... | 17 | ..... | 21 | ..... | ..... | ..... | 10 | 383 |
| 24 | 120 | 111 | ..... | ..... | 15 | ..... | 21 | ..... | ..... | ..... | 3 | 408 |
| Oct. 1 | 130 | 117 | ..... | ..... | 22 | ..... | ..... | ..... | ..... | ..... | ..... | 469 |
| 8 | 164 | 124 | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 413 |
| 15 | 202 | 127 | ..... | ..... | 29 | ..... | ..... | ..... | ..... | ..... | 13 | 521 |
| 22 | 226 | 135 | ..... | ..... | 37 | ..... | ..... | ..... | ..... | ..... | 15 | 531 |
| 29 | 232 | 143 | ..... | ..... | 41 | 2 | 38 | ..... | 10 | 4 | 15 | 589 |
| Nov. 5 | 245 | 152 | ..... | ..... | 40 | 4 | 39 | ..... | 16 | 7 | 17 | 643 |
| 12 | 243 | 166 | ..... | ..... | 40 | 8 | 40 | ..... | 18 | 11 | ..... | 694 |
| 19 | 243 | 181 | ..... | 9 | 50 | 20 | 44 | 5 | 18 | 11 | ..... | 729 |
| 26 | 243 | 188 | ..... | 10 | 53 | 32 | 51 | 9 | 16 | 24 | ..... | 764 |
| Dec. 3 | 254 | 197 | ..... | 11 | ..... | 37 | 54 | 13 | 23 | ..... | ..... | 820 |
| 10 | ..... | 205 | ..... | ..... | 52 | 45 | 54 | 16 | 24 | ..... | ..... | 850 |
| 17 | ..... | 205 | ..... | ..... | 59 | 70 | 62 | 18 | 25 | ..... | ..... | 863 |
| 24 | ..... | 207 | ..... | ..... | 67 | 82 | ..... | 20 | ..... | ..... | ..... | 868 |
| Jan. 31 | ..... | 214 | ..... | ..... | 69 | 87 | ..... | 20 | ..... | ..... | ..... | 912 |
| 7 | ..... | 214 | ..... | ..... | 69 | 87 | ..... | 20 | ..... | ..... | ..... | 969 |
| 14 | ..... | 220 | ..... | ..... | 77 | 93 | ..... | 27 | ..... | ..... | ..... | 969 |
| 21 | ..... | 229 | 225 | ..... | 77 | 103 | ..... | 27 | ..... | 13 | ..... | 969 |

Grain Growers—United States Grain Growers—Membership growth by weeks.

| Week ending— | Illinois. | Ne-braska. | North Dakota. | Indiana. | Missouri. | Iowa. | Oklahoma. | Minnesota. | Kansas. | Colorado. | South Dakota. | Accumulating total. |
|--------------|-----------|------------|---------------|----------|-----------|-------|-----------|------------|---------|-----------|---------------|---------------------|
| July 9 | ..... | ..... | 1,461 | ..... | ..... | ..... | 132 | ..... | ..... | ..... | ..... | ..... |
| 21 | ..... | ..... | ..... | ..... | ..... | ..... | 175 | ..... | ..... | ..... | ..... | ..... |
| 28 | 501 | ..... | 2,084 | ..... | ..... | ..... | 308 | ..... | ..... | ..... | ..... | 5,061 |
| Aug. 13 | 605 | 164 | 2,186 | ..... | ..... | ..... | 308 | ..... | ..... | ..... | 79 | 5,464 |
| 29 | 776 | 305 | 2,186 | ..... | ..... | ..... | 308 | ..... | ..... | ..... | 116 | 5,649 |
| Sept. 3 | 1,021 | 505 | 3,338 | 285 | 248 | ..... | 699 | ..... | 214 | 34 | 105 | 6,449 |
| 10 | 1,273 | 853 | 3,844 | 314 | 410 | ..... | 883 | ..... | 219 | 170 | 8 | 6,974 |
| 17 | 1,669 | 1,026 | 4,128 | 482 | 405 | ..... | 1,119 | ..... | 237 | 127 | ..... | 9,374 |
| 24 | 1,838 | 1,148 | 4,298 | 514 | 774 | ..... | 1,200 | ..... | 267 | 143 | ..... | 10,077 |
| Oct. 1 | 2,132 | 1,178 | 4,330 | 618 | 1,188 | ..... | 1,236 | ..... | 287 | 143 | ..... | 11,067 |
| 8 | 3,116 | 1,404 | 4,330 | 514 | 1,326 | ..... | 1,394 | ..... | 302 | 163 | 183 | 12,653 |
| 15 | 3,918 | 2,214 | 4,330 | 1,022 | 1,526 | ..... | 1,661 | ..... | 322 | 266 | 15 | 15,401 |
| 22 | 4,186 | 2,468 | 4,558 | 1,101 | 1,789 | ..... | 1,661 | ..... | 322 | 267 | 287 | 17,017 |
| 29 | 5,284 | 2,814 | 4,603 | 1,188 | 1,860 | ..... | 1,780 | ..... | 311 | 625 | 374 | 18,444 |
| Nov. 5 | 5,734 | 3,119 | ..... | 1,338 | 2,129 | ..... | 1,861 | ..... | 312 | 714 | 389 | 20,822 |
| 12 | 6,333 | 3,715 | ..... | 1,523 | 2,275 | ..... | 1,982 | ..... | 312 | 714 | 389 | 22,832 |
| 19 | 6,701 | 4,010 | ..... | 1,602 | ..... | ..... | 2,068 | ..... | 312 | 821 | ..... | 24,032 |
| 26 | 6,961 | 4,315 | ..... | 1,798 | 2,383 | ..... | 2,164 | ..... | 312 | 821 | ..... | 25,422 |
| Dec. 3 | 7,301 | 4,881 | 4,625 | 2,031 | 2,568 | ..... | 2,276 | ..... | 312 | 821 | ..... | 27,472 |
| 10 | 7,962 | 5,165 | ..... | 2,166 | 2,709 | ..... | 2,377 | ..... | 312 | 821 | ..... | 29,660 |
| 17 | 8,766 | 5,821 | ..... | 2,305 | 2,869 | ..... | 2,474 | ..... | 312 | 821 | ..... | 32,034 |
| 24 | 9,239 | 6,520 | ..... | 2,478 | 3,141 | ..... | 2,585 | ..... | 312 | 821 | ..... | 34,229 |
| 31 | 9,531 | 7,283 | ..... | 2,631 | 3,327 | ..... | 2,665 | ..... | 312 | 821 | ..... | 36,364 |
| Jan. 7 | 9,678 | 7,535 | ..... | 2,812 | 3,631 | ..... | 2,739 | ..... | 312 | 821 | ..... | 37,611 |
| 14 | 9,925 | 7,785 | 4,962 | 3,424 | 3,632 | ..... | 2,739 | ..... | 312 | 821 | ..... | 39,960 |
| 21 | 9,948 | ..... | ..... | 4,118 | 3,739 | 3,432 | ..... | ..... | 312 | 821 | ..... | 39,960 |

Senator LADD. I think there is one question I ought to ask: You, if I infer correctly, maintain from such figures as you have that the charges that are filed here are substantially true, are they not, the charges filed in this complaint in the resolution? There is an attempt to handicap and injure cooperative organizations and efforts through this Grain Growers?

Mr. THORNE. There is no question about it. They have centered a fight on us; they have issued circulars; thousands of articles have been published in the newspapers; they have had speeches; they have sent their attorneys out; they have sent letters and circulars by mail; they have resorted to all those means of publicity to discredit our movement.

Senator LADD. Is it confined more particularly, in your judgment, against the Grain Growers' Association, or is it, in general, against cooperative movements?

Mr. THORNE. This group has been centering its efforts on the United States Grain Growers (Inc.).

Senator LADD. For what reason do you assume that was true?

Senator LADD. I think that is all.

Mr. THORNE. Because they are afraid that it may be successful.

Mr. THORNE. In the recent bill of complaint attacking the Capper-Tincher law, providing for the regulating of our grain marketing, the membership of the Board of Trade in Chicago centered on the United States Grain Growers. They reproduced the charter of the Chicago Board of Trade and our contract, and in literature issued by the Grain Dealers' National Association the United States Grain Growers (Inc.) is the institution of the West upon which they are centering their attack.

Senator LADD. The opposition, then, as I infer from your statement, comes from chambers of commerce and grain exchanges as one of the sources of opposition?

Mr. THORNE. I understand they are members of the National Grain Dealers' Association. The National Grain Dealers' Association is composed of what we call the old-line elevators and the grain exchanges and millers, although I do not believe the millers are personally making much of a fight on us. One of the leading millers of the Twin Cities said to me personally that he believed they could handle 80 per cent of our production without going to the markets by direct shipment, from point of origin to the mill.

Senator LADD. I would like to have your view why, if it is true, the chamber of commerce grain exchanges of Minneapolis withdrew from that association. Are they opposed to the efforts that are being put forth by this Grain Dealers' Association, or are they resorting to other methods?

Mr. THORNE. I have no knowledge. I have no knowledge that they are resorting to other methods.

Senator LADD. I think that is all.

Senator KEYES. That is all.

Senator LADD. I think that finishes the list, does it not, Mr. Black?

Mr. BLACK. Yes, sir.

(Whereupon, at 4.30 p. m., the committee adjourned, subject to call of the chairman.)

INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING LEGISLATION FOR THE RELIEF OF AGRICULTURE.

MONDAY, JANUARY 30, 1922.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met pursuant to adjournment at 10 o'clock a. m. in room 112, Senate Office Building, Senator Keyes (chairman), presiding.

Present: Senators Keyes (chairman) and Ladd.

Senator KEYES. The committee will come to order.

Who is to be heard first?

Mr. QUINN. Mr. Reynolds. He wishes to catch a train, and if the committee please, we would like to have him testify first.

TESTIMONY OF MR. A. E. REYNOLDS.

Senator KEYES. Give your full name, residence, and occupation to the reporter.

Mr. REYNOLDS. A. E. Reynolds, Crawfordsville, Ind. I am in the grain and seed business. I am a member of the Grain Dealers' National Association, chairman of its committee on legislation. Our legislative program does not contain any lobby or any organized force. We simply appear here from time to time at hearings when we are invited or when we think our interests or the interests of our business, directly or indirectly, are attacked in such a way that we should defend ourselves.

I was present at a meeting in Cincinnati at which the movement was inaugurated to raise a fund for a campaign along educational lines.

Senator KEYES. Mr. Reynolds, pardon me, but speaking of that meeting, that is the meeting referred to in the resolution before which this committee is holding this hearing.

Mr. REYNOLDS. Referred to in the resolution under which this committee is holding this hearing.

Senator KEYES. On June 27, 1921?

Mr. REYNOLDS. Yes, sir. My company was a subscriber to the extent of \$100 toward this fund. Personally, the thing that I had in mind all the time, and have in mind now, was that the public in the end would benefit by having the truth put before the people. I think that still. I believe that the truth in the end must prevail, regardless of how much untruth, misrepresentation, or misinformation is put before the people.

As I view the situation, living in a rural district as I do, I see the most dangerous tendency in propaganda being promulgated through the country by all kinds of means—speakers representing various organizations, newspapers, whose self-interests seem to lie only in one direction, all of which tends to stir up the most intense spirit of hatred before every man who lives in the country against every man who lives in a town or a city. Whatever other great questions may be before the people at this time, gentlemen, I believe that is the most dangerous thing that can possibly continue. I speak knowingly when I say to you, gentlemen, that in the Middle West, where I live, it is not any more than just safe—just safe under the law—for people in cities to mingle with people from the country, because of that dangerous propaganda that is being promulgated through the country, and it is, as far as my observation goes, founded and fostered almost wholly on mis-

representation and deliberate falsehood. That is my honest belief under oath. I am certain that in the State of Indiana it is doing harm that can not possibly be undone in the next generation.

Now, I am going to be brief. As I started out you may think that I am going to harangue you all day, but I am not.

I did not know anything about the raising of these funds. I only know in a general way about the expenditure of these funds. But I am firmly of the belief that the campaign of education started there would do more good than all the acts of Congress if the funds were ready and available to prosecute it to a final termination.

Now, I want to give you just a little example, and I want to file here this paper. The stenographer, of course, need not take what I read from the newspaper, but in my answer to it it will necessarily not be read, because I have only a memorandum here.

This paper is the Francesville Tribune. It is published at Francesville, Ind., under date of January 19, 1922. Francesville, Ind., is a very prosperous farming community. It is somewhat of an isolated town, no towns of any importance being nearer it than 20 miles. Other stations along the one railroad that goes through it are 8 miles in each direction. The community is made up largely of foreigners, there being quite a number of Scandinavians and a mixed population there. The lands is valuable, and it is a very prosperous community. This is the only paper published there. There is one other paper, I think, published in that county, which is Pulaski County, Ind.

The heading of this article is "What's the matter with business?" I will not read all of it, because I will get down to the part I want to show to substantiate what I am saying, that it is not truth that is stirring up the trouble, but it is falsehood.

Now, it says here at the opening, and referring to what Secretary Houston said in the last administration—no; I believe it was Secretary Meredith. It says:

"What sanity or sense is there to prices such as these?"

Now I will read from the paper and then comment on it.

"Corn, one-third of a cent a pound; coal, two-fifths of a cent."

Now, I have given these answers that I make here careful study, and they are substantiated, and I know this is the truth. First, these are numbered along the side here.

First, "corn, one-third of a cent a pound; coal, two-fifths of a cent."

The facts are that there was being paid at that station on that day 40 cents for 56 pounds of shelled corn, but the corn was very inferior because of rot that we had, and coal was being retailed at \$6.75 per ton of 2,000 pounds; retailed in any amount from 100 pounds to 10 tons.

Second, "coal, \$4.50 a ton; freight charges, 300 miles, \$7.50."

Now, this is somewhat of a repetition: What I want to call attention to is this: I am not upholding freight rates, gentlemen, but I want the truth from these people. See? Now, it says: "Freight, 300 miles, \$7.50 a ton." The freight from any coal mine within 300 miles of that town was just about \$1.75 a ton, or \$6 a ton less than this paper purported it to be.

Third, "oats, at 15 cents a bushel; oatmeal, 20 cents a bowlful."

They were paying at that station on this date 30 cents per bushel for fair, average oats of that country. Those oats were of an extremely inferior quality because of the failure of the oats crop that year, and not a grain of it would be fit to go into oatmeal. The oatmeal question of 20 cents a bowlful is the same old talk that is often charged up to the grain people—of being responsible for the prices of oatmeal and other cereals furnished at hotels. The hotels might bear investigation. I am not speaking on that subject.

Fourth, "wool, 10 to 15 cents a pound; woolen yarn, \$2.80."

I am not acquainted with the wool market in general, but at that town most of the wool was marketed early from 25 cents to 30 cents a pound—fair average wool. I don't know anything about the price of wool in yarn. That could be verified, to show how near it is to the truth.

Fifth, "wool, to make a suit of clothes, 45 cents; price of suit, \$50 to \$75."

I don't want to speak of that, not being informed. I would judge that not a single suit of clothes costing \$60 has been sold in that town during all the high prices of war time.

Sixth, "Two days' wages for shucking corn, \$8; price corn sold for, \$9.50."

Now, they were hiring corn huskers from 3 to 4 cents a bushel—paying the man 3 to 4 cents a bushel. Any ordinary man in that district will husk 75 bushels a day. The two days would come to about \$4.50. The corn husked, 150 bushels, would bring \$60 instead of \$9.50, as indicated in this paper.

Seventh, "potatoes, from hatching on the farm to \$1.35 a bushel in town; freight charges, Dakota to Michigan, \$1.65 a bushel."

I am not posted on that, but there was a total failure in the potato crop in that section, as throughout Indiana, this last year.

Eighth, "hides, 3 cents a pound and no demand; work shoes, \$9 a pair."

I can only speak of that in general. Of course, nobody is paying \$9 for a pair of work shoes in our section, or has been for some time. Work shoes are selling from \$3.50 to \$5, according to workmanship.

Tenth, "70 pounds of corn, 25 cents; 10 pounds of corn meal, 60 cents."

Now, 70 pounds of ear corn—when I spoke of corn before it was shelled corn, 50 pounds for 40 cents—70 pounds of the ear corn bringing 38 cents. Ten pounds of corn meal, they state here, is 60 cents. It is being retailed in that section for 3 cents a pound. In quantities it is worth less.

Eleventh, "40 pounds of wheat, 85 cents; 48 pounds of flour, \$2.70."

I want to drive home the cunningness of this statement. First of all, there is little or no wheat raised in that particular section, therefore it was not possible to verify the statement about wheat, but the facts are that the elevators that day were paying for what little wheat did come \$1.10 a bushel, and 50 pounds of high grade flour, of Minnesota flour or Kansas flour, which is mostly sold there, was selling for \$2.50 instead of \$2.70. There is very little discrepancy in that. The local mill flour made of the same kind of wheat that was marketed at \$1.10 was selling for \$2.10 for 50 pounds.

Twelfth, "Texas cabbage in Texas, less freight, \$5 to \$6 a ton; Texas cabbage in Chicago, \$130 a ton."

I can not speak of that, because I know nothing about it.

Another one. Thirteenth, "1 pound of live hog, 6 1/2 cents; 1 pound of pork

steak, 25 cents; 1 pound of lard, 20 cents."

Hogs were selling at that place on that day at \$8 to \$8.10 on foot, and pork could be bought at the same town at prices ranging from 12 to 18 cents and lard at 13 cents a pound. Those are the prices for that day.

Senator LADD. Did that correspond in grade?

Mr. REYNOLDS. The same day.

Senator LADD. I am not speaking of the date. Was it the same grade?

Mr. REYNOLDS. Yes. I say it varied. It varied all the way from 12 to 18.

It was all the same grade. There are different cuts, you know.

Senator LADD. I mean the same cuts.

Mr. REYNOLDS. From 12 cents to 18 cents was the price of the various cuts.

Senator LADD. Was ham selling for 18 cents a pound?

Mr. REYNOLDS. Fresh ham in the store, in the meat shop, it could be bought there for 18 cents a pound.

Fourteenth, "liver steer, 6 to 7 cents a pound; beef roast, 35 cents a pound;

steak, 25 cents a pound."

Fifteenth, "it takes a pound of good country butter to buy a box of axle grease made of refinery refuse; a bushel of oats to buy a cup of coffee; a bushel of corn to pay for a plate of corn cakes; 1 1/2 bushels of corn to pay for a hair cut; 2 bushels of corn to buy a pound of good breakfast bacon; 40 bushels of corn to buy a pair of shoes; a bushel of corn to buy a pair of cheap cotton socks; 120 bushels of corn to buy a hand-me-down suit of clothes; 160 bushels of corn to buy an overcoat; 50 to 100 bushels of corn to get a woman's hat."

Senator LADD. Who is the author of that; where is the paper published?

Mr. REYNOLDS. Francesville, Ind.

Senator LADD. I mean where is the article taken from? Is it a copied article?

Mr. REYNOLDS. It does not say. It is put out as the doctrine of this editor.

I presume. They do not always give credit for their sources of information.

Senator KEYES. Do you understand it is an editorial of the paper?

Mr. REYNOLDS. Well, I don't know what you would count it. You know these country papers do not classify quite as you do in the city. I don't know what to count it. But the thing in general that I want to drive home is this:

To the class of people to which this paper goes, that is truth to them, regardless of how much falsity may be in it. No one has stood up to contradict the falsity that is in the general run of country newspapers like that. And again,

I want to repeat, the harm that these things did is absolutely immeasurable.

that it is dangerous. Instead of making better farmers, it makes a class of farmers that are filled with envy and are not willing to proceed on their chosen line with any degree of loyalty to themselves or to their country.

Senator LADD. I infer from that that you mean, then, that the farmers are prosperous in your community?

Mr. REYNOLDS. No, sir; I didn't say that. They are the most prosperous class in our country at this time. There is not a merchant, in my judgment, in this town, and I know them all, that is as prosperous as the average man with 200 acres of land outside.

Senator LADD. If ham were selling for 18 cents a pound in that town, and this paper states that it was selling at 35 cents, those people who read this paper ought to be intelligent enough to know that that is a falsehood.

Mr. REYNOLDS. But these people in the country do not buy ham. They butcher their own hogs there, and they are led to believe, however, that they are not getting the right prices for their hogs, because people in town are paying these prices, and they do not take means to investigate.

I only wished to put these things before you to justify myself in any part that I have taken in this movement which is now being investigated.

Mr. REYNOLDS. I am the investigation of these matters and arriving at the truth is the only possible basis to ever bring prosperity back to this class of people whose condition is bad enough, but who believe that from the comparative standpoint it is much worse than it is.

I think you, gentlemen.

Senator KEYES. Mr. Reynolds, just a question or two.

I understood you to say that you were at this meeting referred to in the resolution before this committee?

Mr. REYNOLDS. Yes, sir.

Senator KEYES. I also understood you to say that your organization had subscribed \$100 to this fund?

Mr. REYNOLDS. Yes, sir.

Senator KEYES. I think you referred to it as "this fund."

Mr. REYNOLDS. Yes, sir.

Senator KEYES. By "this fund," do you refer to the fund mentioned in the resolution?

Mr. REYNOLDS. The so-called slush fund there that was started to be raised in Cincinnati.

Senator KEYES. Have you any knowledge as to how much was raised?

Mr. REYNOLDS. That will all be developed, Senator.

Mr. QUINN. We will develop that later.

Senator KEYES. Very well.

Nor do you know, of your own knowledge, what was done with the money that was raised, I suppose?

Mr. REYNOLDS. Only in a general way, because I have seen circulars and printed matter sent out by the committee.

Senator KEYES. Have you had anything to do with the use of that fund or the expenditure of that fund?

Mr. REYNOLDS. No, sir, I had nothing to do with it.

Senator LADD. Had you anything to do with the preparation and sending out of the circulars and letters of information?

Mr. REYNOLDS. No, sir.

Senator LADD. I understand this association you refer to is the Grain Dealers' National Association?

Mr. REYNOLDS. The Grain Dealers' National Association; yes, sir.

Senator LADD. And that is made up of what?

Mr. REYNOLDS. That is made up of grain shippers—anyone engaged in the grain business. We have a good many associates, cooperative associations, the Shippers, receivers, and dealers in general. That can be brought out later.

Mr. QUINN was the secretary, and he can bring out the class of membership better than I can.

Senator LADD. I want to bring out another point.

This money, as I understand it, was raised, it is claimed, to be used in opposition to the United States Grain Growers' Association.

Mr. REYNOLDS. No, sir. As I understand it, not directly. It might have been mentioned, but it was raised, my understanding is—I can not repeat the resolution. I heard it read at the meeting, what the money was to be raised for.

It was for a general educational campaign to get the truth out to the people, instead of statements such as I have read here.

Senator LADD. The circulars sent out, a good many of them, made mention directly of the United States Grain Growers' Association, did they not?

Mr. REYNOLDS. I think they did; yes.

Senator LADD. What was the purpose of the attack on the United States grain growers?

Mr. REYNOLDS. To avoid their swindling the farmers any further than they had already done and that they are continuing to do now.

Senator LADD. You maintain, therefore, that the United States Grain Growers is a fraud and a swindle?

Mr. REYNOLDS. That is my private opinion; that it was deliberately gotten up for that purpose.

Senator LADD. What do you base that on?

Mr. REYNOLDS. Because they go to the man with a contract that Mr. Mansfield will present to you here, and propose to do a thing that they can not do, that they have not done, that it is my present understanding they have agreed that they can not do, and yet at one of my stations in the country they took \$1 subscriptions, or \$810 of the farmers' money last week, to do the thing that they have failed to do, and which their own managers say is practically abandoned. Why are they continuing to take this money from the farmers?

Senator LADD. With so much educational campaign as you have been able to carry on, is it not rather strange that the farmers should be misled to such an extent that \$1 should subscribe?

Mr. REYNOLDS. That is in the rural districts, where they have not heard of it, and will not for months from now.

Senator LADD. But in every elevator in your district your posters are up to educate them, are they not?

Mr. REYNOLDS. No, sir. There are a few in my section.

Senator LADD. Are the elevators in your section cooperative or old line elevators?

Mr. REYNOLDS. They are both. The elevators that we have in this very town—there are two—one is cooperative and one is so-called old line.

Senator LADD. The old line elevators all have these notices in them, have they not?

Mr. REYNOLDS. No; I think not. There were some of them; yes.

Senator LADD. And also in the banks?

Mr. REYNOLDS. I think so.

Senator LADD. And in the post offices?

Mr. REYNOLDS. I don't know. I have never heard of any of them in the post offices.

Senator LADD. And in the railroad stations?

Mr. REYNOLDS. I am not sure of that. I have not seen any of them anywhere except in a few elevators.

Along that line, gentlemen, the point is this. We had a firm conviction that that was a crooked deal, and we felt that if we launched a campaign to get the truth over against falsehood and deception and fraud, that we were doing a good thing for the people. That is what my hundred dollars went for.

Senator LADD. You mean that those who promulgated this, those who developed this, were engaged in developing what might be considered a fraud and a crooked game?

Mr. REYNOLDS. That is my private opinion.

Senator LADD. And you think that runs back all the way through from the very inception of its organization?

Mr. REYNOLDS. No, sir. I think the committee of seventeen honestly wanted to evolve something that they thought would be a great institution. I think they were misled.

Senator LADD. Is not this carried out at the present time exactly as the committee of seventeen devised it?

Mr. REYNOLDS. No. They devised it to be a success, and it has been a glaring failure from the start. They have taken the people's money without giving anything in return.

Senator LADD. I am referring to the method of carrying out the organization.

Mr. REYNOLDS. I could not answer that as to the method of carrying out the organization. The only answer I can give is that its method of functioning has not been what it was expected to be.

Senator LADD. I am quite decidedly interested in that, because I was one of the members of the committee of seventeen, and I am somewhat interested to know whether I was assisting in the perpetration of a fraud.

Mr. REYNOLDS. I am very glad, sir, that I have a good opinion of the committee of seventeen. I believe that the committee of seventeen thought they were going to carry out something that would be beneficial, but I think that committee was misled by a lot of propaganda.

Senator LADD. I would like to have you develop that, to show where it came from.

Mr. REYNOLDS. Is there anything further, Senator?

Senator KEYES. Perhaps you did not hear the last remark?

Senator LADD. I say I would like to have you develop that and show where that propaganda came from that misled the committee of seventeen.

Mr. REYNOLDS. I was at the hearing before the Agricultural Committee of the House when one of the members of the committee of seventeen made the statement that in his town of Oklahoma City—or somewhere in Oklahoma, at least—a load of wheat sold for \$58, and the flour from that brought \$148. I have not taken the means to investigate that. I heard at that same meeting a statement—I don't know whether it was from a witness on the stand or not—that flour was selling at the rate of \$21 a barrel. I heard that statement. I don't say it was a witness that said that before the committee, but I am in the wholesale flour business, with my other small accomplishments, and at that time flour was selling in wholesale at about \$11 or \$12, and retail at about \$14 per barrel.

Senator LADD. That was in your community it was selling for that?

Mr. REYNOLDS. Yes, sir; and we ship our flour mostly from Kansas to our section. It mostly comes from there.

I am very glad to meet these gentlemen, for this reason: I hope if I make any impression on this committee at all it is that I hope we can get truth out of the whole thing, and I hope, sir, that everything contained in that resolution will be investigated if it keeps this committee six months instead of a week, and I believe that it is the best thing that could happen if this committee would go to the bottom of everything in that, so that when the report finally comes out truth will stand out against falsehoods, and we will know what are the facts. If you will excuse me I will only try to confine myself to my own community, where I know those are misstatements.

Senator LADD. You tell me that in your town there is a cooperative elevator? Mr. REYNOLDS. Yes, sir: I don't live at this town Francesville, but there is one in my own town also.

Senator LADD. Are you friendly to the cooperative elevators?

Mr. REYNOLDS. Very.

Senator LADD. Is not your association, the Grain Dealers' National Association, opposed, and has it not been opposed continuously, to the cooperative movement in this country?

Mr. REYNOLDS. No, sir; absolutely not.

Senator LADD. Has it promoted it?

Mr. REYNOLDS. No, sir; because as it was being promoted it was too unbusinesslike for us to lend our hand to it, and the failures have been too great.

Senator LADD. Do you mean to say that the cooperative movement for the handling of grain on the part of cooperative markets has been a failure?

Mr. REYNOLDS. Absolutely; in my section.

Senator LADD. It may have been in your section, but is it in general in Indiana?

Mr. REYNOLDS. Absolutely. Ninety-five per cent of them have failed and lost their promoters lots of money. I know in this very town of Francesville a second cooperative gang got hold of that elevator—that the first one paid \$35,000 for, for five years—the ones there now. Those fellows have been misled out in the country. They are on notes for \$20,000 at the banks, and they will have to pay. At Marion, Ind., they built two elevators. They got the best farmers of the community on their paper at the bank. They paid \$80,000.

Senator LADD. Who built those elevators—the promoters or the farmers themselves?

Mr. REYNOLDS. The promoters are the men that are doing that by going out and born swaggling the farmers into the association.

Senator LADD. Now, that is not a cooperative elevator, although it may be so named.

Mr. REYNOLDS. If you will go out and investigate you will find that 9 out of 10 of them pay stipends to organizers to go out in the country and organize them. They pay big stipends to these organizers, and as soon as the organizer has completed his organization he leaves for pastures green and does not remain to face the failure. The organizers come out with a lot of buncombe and falsity and get the honest farmer, who thinks he is doing the right thing, into the cooperative association, and get his money on paper at the bank, and he has to pay it. That is the history of 95 per cent of them in my State.

Senator LADD. And the business men help them?

Mr. REYNOLDS. Why would a business man go into an affair of that kind? He has seen samples for years past.

Senator LADD. And you maintain that that is a cooperative association?

Mr. REYNOLDS. In Indiana that is the cooperative association, and I am led to believe that that is it in the grain business all over the world.

Senator LADD. Are you familiar with it in Canada?

Mr. REYNOLDS. No, sir.

Senator LADD. Are you familiar with it in Minnesota and North Dakota?

Mr. REYNOLDS. Only from some of my friends who are up there that are having the same trouble with failures; some of my banker friends who have been obliged to proceed against country dealers to pay the losses of these associations.

Senator LADD. Has that association in Nebraska of which Mr. Gustafson has been the manager for years been a failure?

Mr. REYNOLDS. He made a failure of that. If not I don't see why Mr. Gustafson left them to go into the Grain Growers' Association, where he has made a decided failure.

Senator LADD. That is what I want you to get on the record.

Mr. QUINN. Mr. Mansfield will testify to that.

Senator LADD. That is all.

TESTIMONY OF MR. R. I. MANSFIELD.

Senator KEYES. Give the reporter your full name, occupation, and address, Mr. Mansfield.

Mr. MANSFIELD. R. I. Mansfield; Chicago, Ill.; grain dealer, with Bartlett, Frazer & Co.

Senator KEYES. You are familiar with the resolution before the committee, I take it?

Mr. MANSFIELD. No, sir. I would like to have the resolution read to me, if you please. I have never had an official copy of that, but I would very much like to hear the resolution as presented.

Senator KEYES. Would you rather have it read or would you rather read it yourself?

Mr. MANSFIELD. I would rather read it myself.

Senator LADD. Very well. Here is a copy of it.

Mr. MANSFIELD. Mr. Chairman and gentlemen of this committee, I was the man who was selected by the Cincinnati meeting to conduct a campaign of education. The reason for that campaign was that from the country the small grain dealer in the smaller town had come to the larger distributing markets of the country and insistently called for help against the misstatements, the attempts to undermine the confidence of the smaller grain dealer, clear from the western part of Nebraska right through to the Atlantic coast, and to instill in the minds of his clients a belief that he was not dealing honestly by them; that the grain dealer in general was a profiteer of the most high order and that the grain business, as conducted, was being conducted fraudulently. We had been attacked by malicious falsehoods, misstatements, and there was being organized all over the country a movement to place the producer, not only the one small dealer, but all the 5,200 all over the middle western country, in the hands of an association, of an organization which had never functioned and which the practical grain men of this country knew it was impossible to function. And upon that basis the Cincinnati meeting developed a plan for an educational campaign. We were attacked.

As individuals we had a right to maintain our integrity and to prove to the satisfaction of our clients that the charges being publicly made in meetings and by organizers all over the grain belt were absolutely unfounded, and so the meeting at Cincinnati drew up a tentative plan for the conduct of this work and then adopted some resolutions, appointed a temporary executive committee to

handle this, of which I was chairman, and then proceeded to instruct us to go ahead with the emergency situation which confronted us.

Now, gentlemen, I want to read into the record of this investigation the tentative plan as presented at the Cincinnati meeting. That meeting was largely composed of grain dealers, with a small scattering of other interests there, who were not sure of what they wanted to do, or whether they wanted to do anything, although they were very much in the same attitude and in the same position as we were, and since have actively been attacked along the same lines, and undoubtedly will have to defend themselves in much the same manner.

Senator KEYES. Right then, Mr. Mansfield, pardon me for interrupting you, but I wish that either you or Mr. Quinn or somebody would straighten out the names of these organizations referred to.

Mr. MANSFIELD. I will do that right now, or just as soon as I read this into the record.

This is the "Report of the committee appointed by Chairman Coleman to recommend to the meeting a plan to meet the present emergency of the business world."

(Mr. Mansfield then read the following report:)

"Your committee begs leave to report as follows:

"We recommend the formation of a central organization with headquarters at Chicago, to handle the emergency work. That the whole movement be sponsored and undertaken by the Grain Dealers National Association, supported by other allied interests, as follows:"

Then is given a list of tentative people whom we thought would be interested, as follows:

"The United States Chamber of Commerce, also the chambers of commerce of all States; the Millers' National Federation and the flour associations; the National Feed Dealers' Association, the National Hay Association, the National Seed Men's Association, the National Cotton Growers' Association, the Potato Growers' Association, the Wholesale Produce Association, the Wholesale Lumber and Coal Associations, the wholesale distributors, such as Wholesale Grocers' Association; all country elevators, all State grain dealers' associations, all grain exchanges, all country banks, also all exporters on both the Atlantic and Pacific coasts.

"That to meet the present situation this meeting appoint a temporary executive committee of five with power to act, which committee shall at once take steps to meet the pressing emergency now confronting the business world.

"That a general committee, not limited in number and representing the grain and all allied interests, be appointed by the temporary executive committee to further take up the work contemplated by this meeting. That this general committee shall organize immediately and shall then elect an executive committee, which shall assume active direction of the work, superseding the temporary executive committee mentioned above. Also that a finance committee shall be appointed by the temporary executive committee to secure pledges for funds with which the work shall be prosecuted, and we further recommend that the amount to be raised shall be at a minimum of \$250,000.

"That the general committee shall undertake at once the organization of counties in all States to which our movement extends.

"We recommend that the report of this committee be adopted by roll call of the delegates to this meeting.

"In submitting the above report, the shortness of time at the committee's disposal prevents its being more complete, but it outlines to the meeting its ideas relative to the launching of a movement intended to be wide in its scope, for the education of the producing, consuming, and the entire business interests of the country in order to prevent legislation inimical to our general business interests and suggests immediate adoption of this temporary plan.

"Respectfully submitted.

"R. I. MANSFIELD, Chairman.

"A. E. REYNOLDS.

"JOHN J. MCHUGH.

"JOE E. LAWTHIE.

"L. W. FORBELL.

"F. L. YOUNG."

Senator KEYES. Pardon me. Was that the resolution that was presented at the meeting?

Mr. MANSFIELD. This was not a resolution. This was simply suggesting to the meeting by the committee that was appointed by the chair to discuss this situation what steps should be taken to meet the emergency.

These are the resolutions that were adopted at the meeting:

(Mr. Mansfield then read the following resolutions:)

RESOLUTIONS ADOPTED BY THE GRAIN DEALERS' NATIONAL ASSOCIATION IN SPECIAL MEETING AT CINCINNATI, OHIO, JUNE 27, 1921.

Whereas the grain trade and general business interests are directly menaced by adverse legislation, both State and National, arising on demand of organized special interests; and

Whereas we hold all class legislation to be vicious, indefensible, and inimical to the general welfare; and

Whereas we deplore the attempt of special interests by class legislation to break down the present competitive, individualistic business principle and the substitution therefor of bureaucratic control; and

Whereas this menace of adverse legislation is the result of widespread dissemination of misinformation and false economic theories; and

Whereas it is the duty of every loyal citizen to oppose movements which are destructive of the best interests of this country: Therefore, be it

Resolved, That the representatives of the organizations here assembled pledge themselves to a campaign of education for the correction of the erroneous impressions which are widely prevalent and which have resulted from the spread of these false doctrines, and that we pledge ourselves to organized opposition to all class legislation, both State and National.

Mr. MANSFIELD. Now, gentlemen, those were the points on which this meeting met and acted. There was already being presented in the Middle West a long and involved contract which we had carefully analyzed ourselves and had secured legal opinion in five different States regardless of what any one of the five had found in regard to this contract, and this contract was a virtual turning over by the farmer to this association all of the grain produced on his farm for a period of five years to an organization which had not a dollar of assets in the world, and under the plan which they had developed and which as it appeared in their contract appeared to us to be fraudulent. Now, gentlemen, I beg leave to substantiate that by this statement that, with your permission, I will file with you a certified copy of the report of the minutes of the securities board refusing permission to sell stock in this financial corporation, which was the subsidiary of the United States Grain Growers, and in which they three times, I think, specifically refer to this contract as a fraudulent contract, containing fraudulent features and not safeguarding the man who signs it.

Now, gentlemen, may I present to you a copy of the contract which the farmers signed over the plowhandle in the field in exchange for the payment of \$10?

This is the contract, gentlemen, that he is supposed to sign.

(The contract referred to is here printed in full, as follows:)

Reprint of contracts offered to grain growers and elevators in the marketing plan of the Committee of Seventeen United States Grain Growers (Inc.), as shown in pamphlet of Department of Information, United States Grain Growers (Inc.); revised June 29, 1921.

GRAIN GROWERS' CONTRACT—REVISED FORM.

This agreement made and entered into this—day of—, 19—, by and between —, a corporation (or) an association duly organized and existing under the laws of the State of — (hereinafter referred to as the elevator company), and having its principal place of business at —, —, —, party of the first part, and the undersigned producer of grain as owner (entirely to crop rental), or as tenant, of land located in the counties of —, State of — (hereinafter referred to as the grower), party of the second part.

Witnesseth, that whereas the elevator company is the owner of or has contracted for the use of facilities for weighing, grading, storing, and shipping grain in the county aforesaid, and has by contract with the United States Grain Growers (Inc.) (hereinafter referred to as the United States association), appointed the United States association, an agricultural organization,

instituted for the purposes of mutual help and not having capital stock or conducted for profit, as its exclusive sales agent in the marketing of grain of the members of said United States association, in order to correct the present wasteful and uneconomic methods of handling grain, and in order that the said grain can be marketed and distributed on a cost basis; and

Whereas the grower is a bona fide producer of grain by virtue of owning or operating farm land, is entitled to the ownership and control of all or a part of the grain produced thereon, and is a member of the United States association; and

Whereas the grower desires to sell, and the elevator company desires to purchase, or handle for sale, all the grain that shall be produced as hereinafter provided:

Now, therefore, the parties agree, in consideration of the mutual obligations of the respective parties hereto, of the outlays and expenses incurred, and to be incurred, by the elevator company in carrying out the purposes of this agreement, and in consideration of the benefits derivable from the contractual affiliations of the elevator company with the United States association:

SECTION 1. The elevator company agrees that it shall provide by ownership, lease, or otherwise facilities for weighing, grading, storing, and marketing grain; that it shall receive and handle as hereinafter specified, or shall purchase at prices, and upon such terms, as are hereinafter set forth, all the grain hereinafter mentioned tendered to it by the grower in accordance herewith; that it shall market all said grain through the United States association according to the terms and conditions of the contract between the United States association and the elevator company, a copy of which is attached hereto and made a part hereof as though copied herein.

This contract shall govern all the grain which is controlled by the grower and produced upon land described in the preamble of this agreement which he now owns or shall hereafter own or operate during the life of this contract, and all such grain as he now has in possession, but not grain required and used by the grower, or sold by him locally for local use for seed or feed, or sold otherwise with the written approval of and upon the terms and conditions prescribed by the United States association.

SEC. 2. During the life of this contract the grower agrees to deliver and sell to the elevator company, or otherwise market through said company, all the grain covered by this contract and grown upon the land above described at a price to be determined as hereinafter set forth.

SEC. 3. It is hereby agreed that nothing in this contract shall deprive the grower of control in any degree over his own acreage or production.

SEC. 4. This contract shall become effective with respect to its provisions concerning grain, 10 days after receipt by the grower of a written notice to that effect by the elevator company. This contract shall be in effect from such date to June 30, 1927.

This contract shall extend automatically and continue in full force and effect as to each of the parties hereto from year to year after June 30, 1927, until the same shall have been terminated by either party as to any kind of grain in accordance with the following terms and conditions:

(a) Notice in writing of said termination must be given by such party desiring the termination to the other party at least 45 days, and not more than 60 days, prior to the close of the contract year, at the end of which it is sought to terminate the contract.

(b) The party desiring to make such termination must, prior to the effective date of such termination, pay any indebtedness then due the other party.

(c) If the foregoing conditions are fully complied with, this contract shall thereupon be terminated on the date named; provided, however, such termination shall not affect any uncompleted sales or transactions or uncompleted obligations on current commitments between the parties hereto; nor release either from any indebtedness then unpaid or hereafter accruing under this contract.

SEC. 5. The title to the grain covered by this contract shall remain with the grower, unless otherwise specified herein, until delivered at point of storage, or shipment designated by the elevator company; at the time of such delivery title to the said grain shall pass to the elevator company when paid for, except when otherwise agreed upon by the parties hereto, except as to shipment by the grower on consignment, in which case title shall remain with the grower until sold by the United States association, and unless some other arrangement

shall be effected by mutual agreement between the parties at the time of the transaction.

SEC. 6. Upon notice in writing to the elevator company by the grower, the contract between the grower and said elevator company may be transferred to such other elevator company affiliated by contract with the United States association, as the grower shall designate, upon such terms as the United States association shall approve.

Upon dissolution of the elevator company or failure for any other reason of said elevator company to function under the terms of this contract all right, title, interest, and obligations of the elevator company shall immediately be transferred to the United States association and shall then be subject to assignment to such other elevator company or grain growers' association as the United States association shall elect.

It is further agreed that the grower may, from time to time, deliver his grain covered by this contract to another elevator company than the one executing this contract, provided the other elevator company has executed a contract with the United States association for the exclusive handling of growers' grain through that agency, and provided the condition of the roads or the inability of the elevator company to handle the grain because of lack of storage or transportation facilities renders it necessary, and for any other reason held to be good and sufficient by the United States association.

SEC. 7. This contract can not be assigned, unless otherwise specifically provided herein, to any person except to the purchaser of, and in connection with the bona fide sale of, the land owned by the grower at the time of the execution of this contract, or except as it may be assigned by one tenant to another tenant, by an owner to a tenant, or by a tenant to an owner, succeeding to the former, respectively, in the operation of the land covered by this contract. In case of such transfer, this document may be filed with the elevator company, and a new contract may be executed in lieu thereof. Any other attempted assignment shall be of no force or validity whatsoever.

SEC. 8. This contract shall be terminated whenever the grower shall for any reason be expelled from membership in the United States association; but such expulsion shall not affect the rights and liabilities of the parties hereto as to the unmarketed grain then in the possession of either party.

SEC. 9. Whenever the grower delivers any grain to the elevator company, he shall give the elevator company a signed statement showing what liens, if any, there are upon such grain; and the elevator company shall have the right to pay off all or any part of the said lien or liens in order to perfect further its title to the grain, and thereupon the said elevator company shall make proper deductions for the same from the proceeds of the sale of said grain belonging to the grower. If the amount of said liens is excessive in the judgment of the elevator company, the grower hereby agrees to pay off sufficient to reduce the same to the amount stated by the elevator company to be reasonable, or the elevator company may handle said grain on the consignment basis, by and with the consent of the mortgagee.

SEC. 10. The elevator company agrees to observe and perform such rules and regulations covering the inspection, grading, and weighing of grain as may be established by the United States association not in conflict with State and Federal rules, regulations, and statutes.

SEC. 11. From time to time, upon the reasonable request of the elevator company, the grower shall furnish such crop and statistical data as requested, on the forms provided for that purpose by the elevator company or the United States association. The elevator company upon the reasonable request of the grower, shall furnish the grower for his use such information concerning market conditions and quotations as it shall have in its possession.

SEC. 12. The elevator company shall pay, and the grower shall accept as payment, for any and all of the grain covered by this contract, a price to be determined by one of the methods described in sections 13 and 14, as the grower may elect. The said right of election applies to each kind of grain separately.

METHOD A, INDIVIDUAL SALES METHOD.

SEC. 13. The grower shall sell to the elevator company all grain covered by this contract which is not otherwise provided for by a valid election of the said grower, in accordance with either of the following methods, method A-1 or method A-2, or by any other method mutually agreed upon which is in

harmony with the other provisions of this contract. The grower shall declare his choice of method at the time of the delivery of the grain to, or upon the order of, the elevator company.

A-1. He may sell for cash at a price offered by the elevator company.

It is expressly understood and agreed that the elevator company shall resell grain so purchased from the grower through the United States association but the same shall be sold at the discretion of the elevator company in respect to time, place, and quantity, and without regard to the action of other companies or individuals employing the United States association as a sales agent.

A-2. The grower, singly or jointly with other growers, may consign grain through the elevator company for sale by any method by the United States association, in which case control of time of delivery, shipment, and sale shall remain with the grower, and the net proceeds of sale, less deductions for costs of handling, as hereinafter provided, shall be returned to the grower. This is without regard to the action of other individuals and companies employing the United States association or elevator company as sales agent.

The elevator company is hereby exempted from liability for losses in handling, storing, shipping, and marketing grain committed to it on the consignment basis, where the negligence of the elevator company is not the proximate cause of such loss or damage.

In all shipments by the individual sales method the United States association shall act solely as sales agent for the grower or the elevator company, and shall exercise no power of regulation or control over time of sale, time of shipment, destination, quantity of grain to be sold, or over the price at which the grain shall be sold, except as the grower, under method A-2, or the elevator company, under method A-1, from time to time may, at their option, delegate to the United States association authority to determine such questions as to individual transactions.

Inasmuch as the failure or refusal of the grower to deliver to, and market and sell through, the elevator company the grain governed by this contract will cause detriment and injury to the elevator company, will impair its efficiency and the obligations of contracts to which it is a party, and will increase its expense and liability to damage, any of which items it is impracticable and extremely difficult to fix with precision; therefore, if the grower shall fail or refuse to market or to sell through or to the elevator company any grain covered by this agreement, then the grower agrees to pay to the elevator company, and the elevator company agrees to accept, the following sums per bushel: Wheat, 10 cents; rye, 10 cents; flax, 20 cents; and all other grains, 6 cents; for all grain covered by this contract which is sold, marketed, or withheld by the grower other than in accordance with the terms hereof, as liquidated damages for the breach of this contract. The above agreed items are predicated upon average prices and market conditions for a period of years.

None of the aforesaid payments are to be construed to be a penalty or forfeiture but as stipulated liquidated damages which are hereby agreed to as reasonably representing throughout the period covered by this contract what the elevator company and the members thereof will suffer by reason of such refusal or default.

This option, described as method A, whereby the grower may sell individually to the local elevator company, is severable and distinct from the provisions contained in method B, is dependent upon the consideration of the obligation of the elevator company to furnish facilities for the efficient marketing of grain through itself and affiliated companies and associations, upon the considerations stated in other sections (excepting therefrom section 14) of this contract, and upon the consideration of the obligation of the grower to sell all his grain covered by this contract to or through the elevator company; and the validity and binding effect of the provisions contained in this section (13) shall in nowise be dependent upon, or related to, the provisions contained in section 14 of this document.

All the provisions of this contract, save those contained in section 14, shall apply with full force and effect to the sales of grain governed by this section entitled "Method A."

METHOD B, POOLING METHOD.

Sec. 14. B-1. *Local pool.*—(a) The grower may agree to have all of any kind of grain delivered by him to the elevator company commingled and mixed with grain of like kind and grade delivered by other growers and the same sold

during such period of time as may be agreed upon between the growers, provided storage and transportation facilities shall permit, in which case he shall receive the payment of the average price secured for all grain of like kind and grade so commingled and sold, less deductions for costs of handling, as hereinafter provided, and subject to such equitable differentials as said committee shall find necessary to establish. The various lots of grain sold under this method shall be known as pools. There may be established as many pools of grain as there are kinds and grades of grain to be handled. The pools shall include all the commitments for any one year.

(b) The price on the grain delivered by the grower shall be uniform with that paid other growers regardless of any variations in the price received from such sales for the several products of like kind and quality, subject to the differentials applicable and deductions for the cost of handling.

(c) On or before the 1st day of May of each calendar year (or at a later date if no such action has been taken previously, provided 10 or more growers so desire) all the growers (tributary to the elevator company and signing this or other similar contract with the elevator company, who have elected to participate in the pooling of any kind of grain, may choose from among their number a committee of three, to be known as the local ——— pooling committee (status in the blank the kind of grain) hereinafter designated the local pooling committee, which committee shall exercise complete control over the handling, shipping, and selling of all pooled grain, determining the time, quantity, and destination of sales, and effecting all necessary contracts and other arrangements for storage, etc., which may be deemed necessary for the efficient marketing of said grain, provided, however, that these provisions do not apply to "joint pools," method B-2, where the United States association shall be in control. The persons designated by the local pooling committee to have charge of the handling of grain that is pooled and the proceeds of the sale of same, shall file a bond with the United States association as trustee for the growers joining in the pools subject to their jurisdiction; the said bonds shall be in such form and amounts, and with such sureties as required by the United States association, guaranteeing the faithful performance of the duties of the said person so designated. The United States association, on request, shall furnish all necessary plans, contracts, forms, etc., for the proper handling of the pools. The aforesaid local pooling committee, at the option of the majority of said committee, may delegate its powers to the elevator company, or other agency, on condition that the grain is marketed through the United States association.

(d) The purpose of these provisions is to secure control over the pooling of any kind of grain in the hands of those who pool. If satisfactory arrangements can not be made with the elevator company for handling the pooled grain, then the said local pooling committee or committees, handling one or more kinds of grain, shall have the privilege of contracting for the storing and handling of the said grain or grains through any other elevator or warehouse company or agency as they may determine, without any regard to any conflicting provisions in this contract; provided the other agency handling the same shall contract for the exclusive marketing of the said grain through the United States association.

In the election of said local pooling committee each of the said growers shall have one, and only one, vote. The period for which said local pooling committee shall be chosen shall be the period which will include all the pools of that kind of grain for that year, or until the successors are elected and qualified. The compensation, if any, of said local pooling committee shall be at the option of the growers so pooling their grain, and shall be paid by them *Pro rata*.

(e) The local pooling committee shall have authority to determine when delivered to the pools by the grower; credit the grower therewith; mingle or the local pooling committee will be guided thereby so far as practicable.

(f) The local pooling committee shall weigh, classify, and grade the grain delivered to the pools by the grower; credit the grower therewith; mingle or pool said grain with grain of like kind and grade delivered to the pools by other growers; and, at its discretion, clean, condition, blend, or process the pooled grain to increase its value as food or as an article of commerce.

(g) The local pooling committee shall furnish the grower a "delivery ticket," and such other documents as may be required, upon the delivery of his grain, which shall show the classification, grade, and weight of the grain delivered,

the pool to which it has been committed, and any advance payment made upon it, and other information that may be required.

(k) The local pooling committee shall determine the grade and quality of all grain tendered in accordance with rules and regulations established by the United States association for pooling purposes. Regardless of what grade shall be ultimately placed upon said grain at the terminal markets, the aforesaid grading by the local pooling committee shall control the proportional distribution of the net proceeds from the sale of said grain among the growers participating in any pool.

(l) The local pooling committee shall sell, through the United States association, the grain so pooled, at such times, in such quantities, and for such deliveries, as the local pooling committee shall deem advantageous, and at the best prices obtainable through the United States association under market and transportation conditions, together with grain of like classification delivered to the pool by other growers who have signed this or a similar contract, and pay over the net amount realized therefrom as payment in full to the growers, according to the value of the grain delivered by each of them, due debit and credit being given for all deductions for cost of handling, differentials, and adjustments made by the local pooling committee.

(j) In order to compensate properly the holder of delayed shipments, reasonable carrying charges on different kinds and grades of grain may be fixed from time to time by the local pooling committee, to be credited to growers selling on the pooling basis.

(k) The local pooling committee may transfer pooled grain from the local elevator to terminal or other elevators for storage or other purposes.

(l) The local pooling committee is authorized to exercise, without limitation, all the rights of ownership over the grain covered by this contract; to mortgage, pledge, or hypothecate in its name, on its own account, all such grain, or evidences of the ownership or control of said grain, including bills of lading, warehouse receipts, etc. The local pooling committee shall distribute said funds pro rata among the growers participating in the pool, or it may use part thereof for meeting expenses in the handling of the pooled grain.

(m) Any deductions or loss occasioned by the delivery on the part of the grower of grain of inferior grade or condition, shall be charged against the grower, and deducted accordingly from the proceeds going to the said grower.

(n) Losses occurring in the handling, storing, shipping or marketing of pooled grain, not covered by paragraph (m), shall be charged against the pool and not against the individual grower delivering the grain directly affected thereby.

(o) The local pooling committee shall make as substantial an advance payment on the grain committed to the pool as, in its discretion, market and financial conditions permit, and as soon as practicable after its delivery.

(p) The proceeds from the sale of grain shall be paid from time to time, the final settlement being made within a reasonable time after the proceeds from the sale of all the grain in the pool have been received, and the deductions for costs of handling shall be determined.

B-2. Joint pool.—When a local pooling committee has been created, as above described, it shall be authorized to elect whether the grain delivered under this contract—that may be pooled with the grain of other growers locally—shall be pooled jointly with grain of like grade and variety of the growers in one or more other companies. In case the grower individually indicates his election to pool jointly (as provided in section 23), or in case the local pooling committee elects the joint pool, then the undersigned grower hereby agrees that all of his grain so pooled shall automatically become committed for sale under the joint pooling method on the terms and conditions above specified as to the local pool except that the United States association shall have the same control as the pooling committee does over the local pool, and shall have the grain sold in accordance with the provisions covering joint pools contained in the contract between the elevator company and the United States association.

B-3. Partial grain pool.—The grower may elect, by an appropriate entry at the time of execution hereof in section 23, or at any subsequent time on an election blank to be provided by the United States association for that purpose to pool one-third of his grain locally. The term of such pool shall be from the date of such election to the termination of this contract.

The grain so pooled shall be under the control and management of the United States association, which shall return to the growers joining in the said

pool the total proceeds from the sale of the same less handling costs, as is provided for joint pools. The United States association may make such deductions and such advance payments as are provided for other methods of operation under this contract.

Inasmuch as the failure or refusal of the grower to deliver to, and market and sell through, the elevator company will impair its efficiency and the obligation of contracts to which it is a party, will increase its expense, and liability to damage, will hinder the collection of average prices on grain, to the detriment and injury of the other growers participating in the said pool, all of which items it is impracticable and extremely difficult to fix with precision; therefore, if the grower shall fail or refuse to market or to sell through the elevator company any grain covered by this agreement, then the grower agrees to pay to the elevator company, and the elevator company agrees to accept, the following sums per bushel: Wheat, 10 cents; rye 10 cents; flax, 20 cents; all other grain, 6 cents; for all grain covered by this contract which is sold, marketed, or withheld by or for the grower, other than in accordance with the terms hereof, as liquidated damages for the breach of this contract; all parties agreeing that this contract is one of a series dependent for its value upon the adherence of each and all of the contracting parties to each and all of the said contracts. The above agreed items are predicated upon average prices and market conditions for a period of years.

None of the aforesaid payments are to be construed to be a penalty or forfeiture but as stipulated liquidated damages which are hereby agreed to as reasonably representing throughout the period covered by this contract what the elevator company and the members thereof will suffer by reason of such refusal or default.

In the event that it shall be necessary to enforce by judicial proceedings this contract as to grain pooled under method B, the elevator company shall bring the action for the benefit of all growers who shall have committed their grain for handling under said method, and any damages recovered thereby shall be the property of said growers.

The grower hereby elects to market his grain covered by this contract as indicated in section 23 in accordance with method B during the said period ending June 30, 1927, or the unexpired portion thereof. This election shall continue from year to year after said date until revoked by written notice to the elevator company, which shall be given within 60 days, and not less than 45 days, prior to the close of the contract year when the grower desires this election to terminate.

The grower reserves the right to make a similar election in the future on other grains if he so desires.

This contract to sell, described as method B, whereby the grower may pool his grain for sale, is severable and distinct from the provisions contained in method A, is dependent upon the special consideration of the receipt of average prices from the sale of grain in the pool, and the validity and binding effect of the provisions contained in this section (14) shall in no wise be dependent upon or related to the provisions contained in section 13 of this document.

All the provisions of this contract, save those contained in section 13, shall apply with full force and effect to the sales of grain governed by this section, entitled "Method B."

SEC. 15. In the event that any one or more of the foregoing methods which may be elected by the grower shall for any reason become inoperative or be held to be illegal by a court of competent jurisdiction from which no appeal can be or is taken, then and in that case, the grower shall have the option of electing one of the other methods named.

SEC. 16. The elevator company, for the sake of uniformity, and in order to protect the grower against the misuse of grain committed to it for sale under any of the methods described herein, and against the improper use of funds owing the grower as the result of any pools established thereunder, agrees to be governed by and to use such receipts and accounting forms as may be prescribed and recommended by the United States Association, and that with respect to such grain to report to and accept accounting supervision by the said United States Association.

The elevator company hereby agrees that all persons responsible for the custody of grain covered by this contract, or handling money derived therefrom, shall be adequately bonded, and that failing to require such bonds, the officers of the elevator company shall be personally liable for any default.

Sec. 17. *Deduction for the cost of handling.*—On all grain governed by this contract, the elevator company shall be authorized to deduct from the proceeds of the sale of said grain the following:

(a) The amount charged by the United States association for the handling of said grain, in accordance with the contract between the United States association and the elevator company, copy of which is attached hereto; and

(b) Such reasonable charges as may be established by the elevator company for handling, weighing, cleaning, storing, or performing such other services in connection with the said grain as the grower may request, or as may be authorized by the terms of this contract.

Sec. 18. It is mutually understood and agreed that the services rendered by the United States association and all subsidiary companies are to be rendered to the grower at cost; that the deductions for the cost of handling made from the proceeds of the sale of grain are payments on account; and that at stated periods the operating expenses will be determined, and any excess may be returned pro rata to the grower, or invested in facilities for the more efficient marketing of the grain. Annual reports of the said receipts and expenditures shall be made, and copy of same shall be furnished each contracting elevator company. Deduction certificates, or other evidences of the same, shall be distributed among the growers in accordance with the provisions contained in the contract between the elevator company and the United States association, copy of which is attached hereto.

Sec. 19. On grain purchased or handled on the basis of a price to be determined on the net resale value thereof, less deductions for the cost of handling, the elevator company, regardless of who holds title, shall be liable for any loss or damage in the handling and storing of said grain which is due to the negligence of the said company, but not otherwise.

It shall be the duty of the elevator company to keep fully insured all grain held in storage.

Sec. 20. It is mutually understood and agreed that the United States association has a special property interest in the enforcement of this contract and may bring action thereon in its own name, in the name of the elevator company, or in the name of the grower as the occasion may warrant.

Sec. 21. The grower shall be permitted to market only that grain, under the provisions of this contract, which he himself, as landowner or tenant, has raised, or to which he is entitled from land which he may own and rent on the basis of a share of the crops raised thereon.

Sec. 22. If the standard form of contract between the United States Association and the elevator company referred to herein shall be changed as to administrative details of methods of transacting business, said change shall be deemed made in the form of said contract attached hereto and this contract amended accordingly.

Sec. 23. Part 1. *Pooling method.*—The grower elects to market in accordance with B-1, known as the local pool, the following grain covered by this contract: _____

The grower elects to market in accordance with B-2, known as the joint pool, the following grain covered by this contract: _____

The grower elects to market in accordance with B-3, known as partial grain pool, the following grain covered by this contract: _____

Part 2. *Individual sales method.*—The grower elects to market in accordance with method A, known as the individual sales method, the balance of the grain covered by this contract which is not listed under part 1 of this section.

Sec. 24. The signature of the grower to this instrument shall be considered an application for membership in the United States Association with which the elevator company is affiliated. The said grower agrees to comply with all the requirements as to membership, subscribes and agrees to the certificate of incorporation and by-laws of the United States Association, the receipt of a copy of which is hereby acknowledged by the grower; and the grower further authorizes the use of any or all of the \$10 initiation and membership fee, in hand, paid to the United States Association, to be used for organization and other expenses incidental to the completion of the organization of the United States Association, the creation of and ownership of securities in subsidiary and affiliated companies and other agencies, the securing of memberships, the acquisition of terminal warehouse facilities, and for all other purposes authorized and deemed necessary by the board of directors of the United States association for the immediate handling and marketing of grain and for the efficient organization of the grain-marketing machinery contemplated in this agreement.

Sec. 25. No party, his agent, or other representative has the right to vary the terms of this written instrument; and it is expressly agreed that no oral changes or modification of the same have been made.

In witness whereof the parties hereto, after a full reading and consideration of the terms hereof, have executed this contract on the day and year first above written.

(Sample copy; not to be signed.) _____

(Signature of elevator company or local grain growers' association.) _____

Witness: _____

By _____

President, Party of the First Part.

Witness: _____

Party of the Second Part.

(Signature of the grower.) _____

Post office _____

Wheat acreage (1921), _____

Corn acreage (1921), _____

Oats acreage (1921), _____

The United States Grain Growers (Inc.) hereby acknowledges receipt of the \$10 initiation and membership fee from the above-named applicant at the place and on the date last above written, and hereby admits the said grower to membership, and approves the foregoing contract, and accepts and agrees to all obligations therein stated. If, for any reason, the said United States association is not engaged in the actual sale of grain within two years from the date hereof, then the portion of the said \$10 which is not expended shall be returned to the said grower who executed the foregoing application for membership.

UNITED STATES GRAIN GROWERS (INC.).
By _____, Agent.

The grower lives in _____ congressional district, State of _____, 1921.

The elevator is in _____ congressional district, State of _____.

ELEVATOR CONTRACT—REVISED FORM.

This agreement made and entered into this _____ day of _____, 19____, between the United States Grain Growers (Inc.), a non-stock, nonprofit corporation duly organized and existing under the laws of the State of Delaware (hereinafter referred to as the United States association), party of the first part, and the _____, a corporation (or) association, duly organized and existing under the laws of _____ (hereinafter referred to as the elevator company, unless otherwise specifically indicated), party of the second part,

Witnesseth, in consideration of the mutual obligations of the respective parties hereto, of similar obligations between other elevator companies and the United States association, of the expenses incurred by the elevator company in providing local facilities for weighing, grading, storing, handling, processing, and shipping grain; of the undertaking on the part of the United States association to provide competent statistical, financial, and other expert assistants, to establish crop and market news gathering agencies, and to acquire the use of marketing facilities for the purpose of providing an efficient cooperative marketing system for grain for the purpose of providing the producers with better credit and storage facilities which tend to make possible a more even distribution of grain throughout the year, thereby tending to stabilize prices; and in order to reduce waste in handling, to encourage a more efficient production, to reduce transportation costs by more direct shipments from points of origin to centers of consumption, to make less frequent and violent fluctuations in prices due to speculation, and to reduce the excessive costs occasioned by the present wasteful, uneconomic system of marketing the grain crops of the United States:

Now therefore, said parties agree as follows:

SECTION 1. The elevator company agrees to market through the United States association all the grain committed to it for sale or shipment by members of the United States association (hereinafter called the grower) under the terms

of a contract between the said growers and the elevator company (hereinafter referred to as the growers' contracts).

SEC. 2. The United States association agrees to endeavor to sell said grain directly, or otherwise, to millers, manufacturers, exporters, or others within or without the United States at the best prices obtainable by it under market conditions, in accordance with the terms of this contract.

SEC. 3. Any grain from growers covered by this contract that is in possession of the elevator company and unsold upon the effective date hereof may be committed for sale under this contract.

SEC. 4. The United States association shall make rules and regulations for standardizing the manner of keeping warehouse and elevator records and accounts and for making reports required by the United States association; and the elevator company shall observe and obey all such rules and regulations and shall permit the examination or auditing of said records, accounts, and reports by the United States association.

SEC. 5. The elevator company agrees to make reasonable requests of growers for such crop and statistical data as the United States association may desire, and to transmit the same promptly to the said United States association, using such forms for that purpose as may be provided by the said United States association; and the United States association, upon reasonable request therefor, shall furnish the elevator company for the use of the grower market news and other information in its possession concerning the values and market conditions of grains and related products in this and other countries.

SEC. 6. The United States association may make rules and regulations and provide inspectors and weighers to standardize the methods of weighing, handling, storing, and shipping of grain, subject to this contract; and the elevator company agrees to observe and perform any such reasonable rules and regulations as may be prescribed by the United States association not in conflict with State and Federal rules, regulations, and statutes.

SEC. 7. The elevator company shall report to the United States association any lien or liens upon the grain covered by this contract, and the United States association may, within its discretion, pay off all or any part of such lien or liens and deduct such payments and any costs connected therewith from the proceeds of the sale of such grain. The elevator company shall warrant the title to all grain committed to the United States association for sale, except as to any incumbrances reported to the elevator company in writing prior to the time of shipment.

SEC. 8. Upon that grain which is committed to the elevator company to be sold on the basis of a price to be determined from the net resale value thereof, less deductions for the cost of handling, the United States association, within its discretion, may make advance payments as market and financial conditions warrant, provided the elevator company shall fully protect the United States association against losses thereby.

SEC. 9. It is expressly agreed and understood that all debts of the United States association shall be incurred in its own name and without responsibility therefor on the part of the elevator company, except when specific authority or approval of the same in writing shall have been given by the elevator company.

SEC. 10. The United States association is exempted from liability for losses incurred in marketing and selling grain covered by this contract that are not due to its own negligence.

The elevator company shall be responsible for and charged with allowances, deductions, or losses made or sustained by the United States association arising from the negligence of the elevator company.

JOINT POOLS.

SEC. 11. In consideration of the mutual obligations of the parties hereto that the elevator company shall furnish the necessary facilities for local handling and shall sell exclusively through the United States association the grain received from members of the United States association, and that the United States association shall undertake to supervise the joint pooling of grain as defined in the growers' contracts, and shall undertake to provide the facilities which may be reasonably necessary for the same, it is hereby agreed between said parties as follows:

(a) The local pooling committee, as defined in the growers' contracts, or other duly authorized agency shall receive, weigh, process, warehouse, and

ship all grain committed to a joint pool by members of the United States association, subject to orders of the United States association, which shall be observed and performed in so far as the facilities available reasonably permit. The United States association shall classify all pooled grain by variety, quality, grade, or any other commercial standard and mingle or pool said grain with grain of like classification committed to the pool by others participating therein.

(b) The United States association may order the transfer of said grain to any elevator and direct the manner in which it is handled therein.

(c) The United States association shall undertake to sell said grain, together with grain of like classification and grade committed to the pool by others, at its own discretion in respect to time, conditions, and terms, at the best prices obtainable by it under market conditions, collect the proceeds, and shall pay over the net amount received therefrom, as payment in full, to the authorized representatives of those participating in the pool, according to the value of the grain contributed by each of them, after making deductions for the cost of handling and such other charges against said grain as are authorized by this contract and also making such credits as may be due.

(d) The growers under contract with the elevator company under the growers' contracts, participating in a joint pool, agree that their grain shall be so mingled and that the net returns therefrom, less all costs of handling, advances, and charges, shall be credited and paid to them on a proportional basis, considering all differentials and adjustments, out of the receipts from the sale of all grain of like classification.

(e) The pool shall be for a crop year, and payment shall be made from time to time, as rapidly as practicable, within the discretion of the United States association, in due proportion until the accounts of the pool are fully settled.

(f) The United States association may borrow money in its name on the grain through drafts, acceptances, notes, or otherwise, on any warehouse receipt or bill of lading, upon any accounts for the sale of the grain or on any commercial paper delivered therefor.

(g) Losses due to failure of customers or banks and losses occurring in the handling, storing, shipping, or marketing of pooled grain shall be charged against the pool and not against the individual grower or local pooling committee or other agency delivering the grain directly affected thereby, provided the said loss is not due to the negligence of the said parties delivering the grain.

The foregoing agreement as to the handling of joint pools is severable and distinct from the balance of this contract, and the terms and conditions stated elsewhere in this agreement do not depend upon any of the provisions contained in this section.

DEDUCTIONS FOR THE COST OF HANDLING.

SEC. 12. The proceeds from all sales of grain made by the United States association shall be paid by the purchasers thereof to the said United States association, which proceeds shall be blended into one general fund, and the United States association shall deduct from said proceeds such uniform amounts or percentages as shall be deemed necessary from time to time by the duly constituted officers or representatives of the United States association in order to meet all expenses properly chargeable to the handling of such grain, and also certain other deductions shall be made in order to provide special funds for carrying out the purposes of the United States association. The deductions stated in the preceding sentence shall be described in this and all related contracts as deductions for the cost of handling. The net proceeds from said sales above advances which have been made by a properly constituted authority shall be paid to those entitled to the same, in accordance with the usual customs of the trade in handling such transactions.

The special funds mentioned in the preceding paragraph shall include those deemed necessary by the board of directors of the United States association for the acquisition, purchase, lease, or otherwise, of the control of property to be used by the said association or affiliated organizations for the retirement of obligations incurred in the purchase of such property or in the operation of the business of the said association; for any debt due and unpaid from the grower to the United States association, and whenever otherwise specifically authorized in writing by the grower; for the creation of reserves for such retrenchments; for repairs; and for any other expenditures which the said United States association, its officers or agents, are authorized to incur.

So far as practicable all capital expenditures and interest charges on investments in marketing facilities shall be incurred by self-sustaining subsidiary or affiliated organizations, and appropriate charges shall be levied against the grain using the facilities furnished by such organizations. All operating and capital expenditures which are lawfully incurred in accordance with the powers and duties of the United States association shall be prorated fairly and justly in accordance with the judgment of the officers of the United States association against the grain necessitating such expenditures, provided, however, that if the grain is sold on a grain exchange and no other service of a substantial character is rendered by the United States association, the total expenditures which shall be considered chargeable against said grain shall in no case exceed 1 per cent of its value, unless the standard charge for similar service shall be more than 1 per cent, in which case said total charges by the United States association shall not exceed such standard charge. On other grain where facilities requiring capital investment are used the maximum deductions for any one year from the proceeds of all sales of grain to be made for capital expenditures, interest charges, etc. (aside from ordinary operating, including overhead expenses), in order to acquire the ownership or control over marketing facilities shall in no case exceed 1 per cent of the value of the grain so handled by the United States association. The distinction in accounting between capital and operating income and expenditures shall be in accordance, so far as practicable, with the rules adopted for common carriers by the Interstate Commerce Commission.

The amount of deductions for the cost of handling, as above specified, shall be estimated by the board of directors of the United States association and shall be so established as to yield as nearly as may be a sum of money equivalent to the operating and capital expenditures and reserves and such other expenses as may be reasonably estimated as essential to be incurred by the United States association and its subsidiary organization for the ensuing year. In case a sum in excess of such requirement shall be collected during any fiscal year it shall be set aside or invested to meet the obligations or needs of the future for the use and benefit of the growers, unless the same shall be relatively large and substantial, in which case the United States association may distribute all or a part of the same to its members, in proportion to the grain sold through the United States association, at such time as it shall determine. And the elevator company, for valuable consideration, receipt of which is hereby acknowledged, waives all right, title, and interest in and to any portion of such funds.

It is understood and agreed that this contract and the contract between the grower and the elevator company provide fully and adequately for the equitable distribution of the proceeds from the sale of grain by the United States association or its subsidiary organizations, and that any charges and deductions hereunder revert back to the benefit of the grower through his membership in the United States association.

The United States association shall issue certificates to the elevator company indicating the proportionate amounts of the deductions for capital expenditures and of the excess from other deductions attributable to grain received therefrom; and the elevator company shall issue proportionate certificates based thereon to the member of the United States association. Such certificates shall indicate a pro rata interest in such deductions, distributable only in the form, at a time, and in the manner determined by the United States association. The said certificates shall be assignable freely by indorsement, but shall not be deemed as obligations of the United States association with definite or other maturity and shall not bear interest; and they shall not represent any obligations or rights other than a proportionate ownership in certain assets held by the United States association which shall not be separable or subject to distribution during the life of the United States association except at the option of the duly constituted board of directors of the United States association.

TERM OF CONTRACT.

SEC. 13. This contract shall be in force from its execution to June 30, 1927, and thereafter shall continue in full force and effect as to each of the parties hereto from year to year, until the same shall have been terminated by either party in accordance with the following terms and conditions:

(a) Notice in writing of said termination must be given by such party desiring the same to the other party at least 45 days, and not more than 60 days,

prior to the close of the contract year at the end of which it is sought to terminate the contract.

(b) The party desiring to make such termination must, prior to the effective date of the same, pay any indebtedness then due the other party.

(c) If the foregoing conditions are fully complied with, this contract shall thereupon be terminated on the date named; provided, however, that this shall not affect any uncompleted sales or transactions between the parties hereto, nor release either from any indebtedness then unpaid or hereafter accruing under this contract, nor relieve the elevator company from its obligation to sell to or through the United States association, nor the United States association from its obligation to market and sell, as the agent of the elevator company, all of the grain committed to it or purchased by it from members of the United States association that was grown during the preceding season or seasons subsequent to the execution of this contract.

SEC. 14. On all grain which has been delivered to and is under the control of the elevator company, and covered by this contract which the elevator company fails to market through the United States association in accordance with the terms and conditions herein stated, the elevator company agrees to pay to the United States association, and said United States association agrees to accept, the following sums per bushel as liquidated damages: Wheat, 5 cents; rye, 5 cents; flax, 10 cents; for all other grains, 3 cents.

SEC. 15. It is mutually understood and agreed that the United States association has a special interest in the enforcements of contracts between its members and the elevator company and may bring action thereon in its own name, or the name of the elevator company, or in the name of the grower, as the occasion may justify.

SEC. 16. If this contract is executed by the elevator company as distinguished from a local grain growers' association, the said elevator company represents itself as incorporated under the cooperative law of the State where operating and as paying patronage dividends.

In witness whereof the parties to this agreement have hereunto set their hands and seals, the day and year first above written.

UNITED STATES GRAIN GROWERS (INC.).

By _____,
President, Party of the First Part.

By _____,
President, Party of the Second Part.

Post-office address: _____.

RESOLUTION AUTHORIZING EXECUTION OF ELEVATOR COMPANY CONTRACT.

I, the president of the _____, do hereby certify that the following resolution was regularly adopted at a meeting of the directors of the said corporation held at _____, State of _____, on _____, 192—:

Resolved, That the officers of this corporation be, and they are hereby, authorized and directed to enter into a contract with the United States Grain Growers (Inc.) for the handling of the grain of the members of that corporation, in such form as the board of directors of this corporation may approve.

Attest: _____,
President,
Secretary.

MR. MANSFIELD. I have here a certified contract which is the contract which that same farmer signed when he signed this smaller contract. Now, gentlemen, this is not camouflage. This is the actual contract which the farmer signed when he put his name on the foot of that document there, for contained in that contract there is a stipulation which makes the articles of incorporation, the by-laws, and the elevator contracts a part legally of that contract, and that contract, gentlemen, is written largely in the interest of the men who organized this association, and there is not anything in there that safeguards the producer. On the one hand is an organization which takes over all of the grain, takes possession of the farmers' grain, and it becomes its right by title, but that organization had not a dollar's worth of assets; but here on the side is a subsidiary company, called the Farmers' Finance Corporation, which was to sell its stock to the farmers, and then they have only a voice in a very roundabout way in the management of that, and they have no

security against the grain which they turn over under this contract. Therefore, gentlemen, our legal advice from five different prominent attorneys in five different States was that the contract was a dangerous contract for the farmers to sign.

Therefore, gentlemen, as we have been attacked, as they were tearing down the business which we had built up over years of careful, hard work and consistent attention to our clients' interests, and as they were undermining us by innuendo and accusation and false statements we felt that in justice to ourselves we had a right to defend ourselves. And that is all that we did. We did not tell the farmer what he was to do. We were very careful to avoid any semblance of trying to tell the farmer what he should do, and if you gentlemen will take the trouble to go over the literature which was sent out by my committee, after careful analysis by the members of that committee, and by the Grain Dealers' National Association, you will discover that there is not a word in there suggesting to the farmer what he shall do.

What did we do? We raised a warning sign—"Be careful what you sign." That is all we did. It was a voice crying in the wilderness, "Beware!"—That is all.

Now, gentlemen, I maintain that there has not been one dollar of the funds of this association used to defeat the grain growers' association, and I know whereof I speak, because, as chairman of that committee, I supervised the expenditure of every dollar. I know where every dollar went. I have here a certified public accountant's report on the condition of the finances and the receipts and disbursements. I know where every dollar came from, and this committee attempted in its feeble way to raise to the farmer a warning against entering into something which was written, 90 per cent in the interest of the people who organized it, and less than 10 per cent in the interest of the man who is going to give them his all for five years.

Gentlemen, if the grain trade attempted to put before the producers of this country the same proposition, I would hesitate to say what would happen to the grain trade. Believing in our minds that that was the situation, we felt it our privilege, as American citizens, standing on our own rights, to defend our position, to show to our clients who had been ours for years, and whose interests had been our interest, that we were honest in the handling of their grain. We were handling it on the lowest possible basis to them. We were selling in the highest possible market. We were giving them the advantage of everything, and all our knowledge and experience in the handling of grain, in the grading of the grain, and we were not attempting by any way, shape, or means to in any way keep our business a secret proposition.

The farmer knew what the price was in the great grain markets of the world. He knew what he could get at his station. There was an open competitive market every day in the year for him to dispose of his grain through. Gentlemen, do you think for a moment that the grain trade of this country could afford to get up and deliberately attempt to assassinate a real honest-to-God farming proposition of marketing grain that would function? If the United States Grain Growers could function better than the present open competitive marketing system of this country, then the grain trade has got to step aside and allow the new marketing organization to fulfill its functions. But there was not a practical grain man in the whole list of the men who were directing the United States Grain Growers. There was not a man who had ever made a success of a particle of the grain business connected with the whole institution.

There came down from the Northwest a bunch of men whose names I could very readily furnish to you, whose records are known to the secret service of the United States, and those men were taken in with open arms, and they went out and solicited memberships in this organization—vultures, flapping their wings over their prey. They have collected in the State of Illinois, not only enormous sums from memberships but they borrowed money from every farmer that would loan them a dollar, and now Illinois is through.

Supplementing what Mr. Reynolds says, I estimate from my knowledge of Illinois—and I travel over that State continuously, and have for the last 12 years—that 80 per cent of the farmer elevators in Illinois are broke, and they are being upheld by individual notes at the banks signed by the big farmers who have come into this movement in the hope that something would bring them out of this financial condition in which they have fallen and get them back on their feet. That is the condition of the farmers' elevator movement to-day.

Now, gentlemen, I submit to you that the grain business is a highly technical business. It is a business that you must know the handling of the actual grain, the best market in which to market that particular kind of grain, and in which a man must be educated along grain lines. The great trouble with the farmers has been, as Mr. Reynolds has said, that they have been misled by a lot of professional organizers, whose sole business it was to get that organization on its feet, and after it was on its feet they deserted the organization. There were no practical grain men to administer it. They selected a man to run their elevator at the lowest possible figure, and you know the class of help that they would get, and you know the inevitable result. The grain business is handled on such a small percentage of profit to-day that a man must be a real grain man in order to make a sufficient return upon his investment to warrant him being in that business.

Furthermore, we had not only the report of the Minnesota Securities Commission, but the same body of men corresponding to that in Missouri officially refused the sale of stock in that State. Indiana had already definitely denied them the privilege, because their contract and their by-laws and their rules and regulations were contrary to the law of the State of Indiana. Those were the three States that had passed on the proposition unfavorably.

The State of Kansas gave the privilege for the sale of the stock in the Farmers' Finance Corporation to a very limited amount, and the matter has not been passed upon by any other State, and no attempt has been made since the refusal of these States to give securities commissions to permit the sale of the stock in the States mentioned above—no attempt has been made to sell the stock elsewhere. In fact, the Farmers' Finance Corporation has never attempted to function along the lines of the plans laid out for it by its creators. Neither has the United States Grain Growers functioned at all. They have made a few cars comparatively, through another organization, but for themselves they have not handled nor marketed any grain, to our knowledge, directly through their own organization, since the plan was first put before the producers.

Gentlemen, referring back to the contract which I showed you, and which I wish to state is authoritatively passed upon by legal advice as being the contract which is signed by the farmers and not the shorter one which is brought to him in the fields for signature—that contract, as I remember it, is 32 feet long. It takes 1 hour and 10 minutes to read it without stopping to consider any paragraph in that contract.

Now, gentlemen, if that contract were written in the interest of the producer it would be short, concise, understandable, and have no legal entanglements connected with it. It would state definitely the cost to the producer for the handling of his grain through that contract source, and in place of that there was no stipulation, but there was a clause entered in that contract which provided that a certain per cent should be deducted from the sales of grain, and such funds should be used for the propagation of this organization, and the producer would be given a nonnegotiable receipt, which had no value and could not be sold and was simply a receipt for that portion of the money which was withheld from his receipts on the grain.

That, briefly, gentlemen, is why we say that this contract, to our notion and under the best advice that we could get, was a dangerous contract for any man to sign; and proof of that is contained in this statement, that where this contract has been discussed in open meeting neither the representatives of the United States Grain Growers nor the county officers who helped to foster and put over this organization could explain any of the controversial points contained therein nor elucidate any of the legal technicalities which the producer was subjected to when he signed that agreement. He virtually agreed that, reserving the amount required for seed and any seed that his neighbors might buy of him, he would turn over all the grain produced upon his farm for a period of five years, to be put through this organization, whether it functioned properly in his estimation or not, and there was no recourse, but there were penalties prescribed for an infraction of this contract committed by the farmer.

Now, gentlemen, under such a contract, if you were confronted with that kind of proposition in your business, would you stand idly by and have this contract placed before you and in many instances coerced into signing it and not seek to get some advice as to the character of that contract; or, if you were a business man and your business was assailed along the lines that your business was, one of the greatest in the country, would you stand idly by

while they made accusations which you knew were untrue, and made statements which were utterly false, and attempted to undermine the very foundations of your business? Would you stand idly by while your neighbor built a house and tore the siding off of your house to build that house of his? I don't believe you would. And in our rights as American citizens, and in our integrity as honest business men in every market, we believed that we had the right to go before our farmer clients, whose best interests were our best interests, and whose prosperity was our prosperity, whose life and future is bound up inevitably with us. Do you think, gentlemen, we have not the right to go and counsel them not as to what they should do, but to be very careful of what they signed?

Now, gentlemen, that was the keynote of the literature which was put out by our committee. We put out very little. I want to read you, in answer to the statements that were circulated by word of mouth by paid solicitors, paid \$300 a month and expenses, over the entire surplus-producing grain sections of the country—and some of them have not been paid yet, and are looking for their money—this statement which was put out by us to answer the charges that were being made against the grain trade of this country by those paid organizers. This pamphlet is headed "The permanent policy of the special executive committee of the Grain Dealers' National Association."

(Mr. Mansfield then read the pamphlet referred to, as follows:)

THE PERMANENT POLICY OF THE SPECIAL EXECUTIVE COMMITTEE OF THE GRAIN DEALERS NATIONAL ASSOCIATION.

For several years, and particularly during the past year, the grain trade and the present competitive grain marketing system of the United States has been subjected to unwarranted criticism and attacks. The methods of transacting the grain business have been grossly misrepresented. The grain dealers are charged with responsibility for price fluctuations that are and can only be the result of the operation of the law of supply and demand. Minor imperfections, and the wrongful acts of a few individuals have been reported in distorted and exaggerated form, and proclaimed as the general practice.

Professional agitators, political demagogues, and those who claim to have a better system of marketing, and who think that in order to establish the same they must first destroy the existing competitive marketing system have been increasingly active in their assaults. These activities have finally culminated in efforts to "regulate" the grain exchanges by securing the enactment of laws, State and National, that would inevitably result in the closing of the exchanges, or in so restricting their operations as to render them comparatively valueless. In this crisis, and not before, did the grain dealers of the United States rally to their own defense, and the defense of the grain farmers, whose marketing avenues were thus threatened.

The good judgment of legislators and Members of Congress has so far prevented the enactment of destructive legislation, but the attempts to secure it have by no means been discontinued. The misleading of the public, and the creation of unfounded prejudice in the minds of the farmers, are apparently to go right on.

In the face of this situation, the occasion for some concerted and sustained campaign of education is apparent. Fairness to the grain trade, and justice to the producers of grain in whose service it was conceived and is operated, demand this. The public is entitled to the truth and the facts.

It was in order to supply such need that this committee of the Grain Dealers National Association was formed. Its purpose is purely defensive and educational. It will oppose the enactment of class legislation, or that which would ruin or unnecessarily restrict legitimate business. In its own interest and in the interests of the grain producers and the public, it will call attention to economic fallacies contained in various proposed marketing systems and the dangers which their provisions hold for both farmers and grain dealers. It will not combat any legitimate effort to improve the present marketing system. It will welcome constructive suggestions from any source. The present highly competitive grain marketing system of this country is the result of the experience and evolution of more than 60 years. It is recognized as being the most efficient of any country in the world.

Attacks upon the committee itself, or misrepresentation of its character of purpose, will not deter it from performing its duties to the grain trade, to the farmers, and to the general public. Every dollar received by this committee

will be expended in a campaign of education, the purpose of which is to dispel the false impressions now existing regarding the present grain marketing system and to awaken the farmers and public generally to the efficiency with which the grain crops of this country are distributed and the extremely low costs per bushel of this distribution and to the fact that the producer receives a larger per cent of the final price paid by the consumer of grain than is the case in any other line of farm produce.

R. I. MANSFIELD, *Chairman*,
B. F. BENSON,
JOSEPH LAWTHIEP,
L. W. FORBELL,
J. N. RUSSELL,

Special Executive Committee Grain Dealers National Association.

Senator KEYES. Is that dated, Mr. Mansfield?

Mr. MANSFIELD. That is not dated, but I can tell you the approximate date that that was sent out. I think that was sent out in early August. I can get you that information.

Senator KEYES. 1921?

Mr. MANSFIELD. Yes. It was sent out before any legislation had been brought up in the Senate, or any specific attempt had been made to regulate the grain trade.

Now, gentlemen, that clearly sets forth what was in the minds of the committee. That is the last word of the committee's mind on this proposition.

Now, unfortunately, we were attacked directly in meetings, by the use of the daily press in all portions of the country, and in every possible way, by these paid solicitors all over the grain belt. In my own State of Illinois meetings were called, and the big farmers of those districts demanded that the recognized regular grain trade of this country be represented at those meetings and present its side of the story. We sent men who could talk intelligently, because they were grain men. I myself addressed a number of meetings, and other members of the grain trade did likewise, and the misrepresentation was everywhere. God knows the farmer was in a bad enough position. Who wanted to handle his grain at a loss to him? Every line of business in the country was in the same position. Sears-Roebuck wrote off millions on their books during that period. Armour has had to do likewise. All of the great businesses of the country were in dire straits. Farmers' grain was selling far below cost of production.

Gentlemen, I reiterate my statement that the grain dealer and the farmer are inevitably bound up together, and unless they can function in harmony one or the other is going to have an experience such as this country has never dreamed of, and before they get through they will be calling on the High Heavens for real honest-to-God grain men to lead them out of the wilderness.

The situation in the farmers' cooperatives all over this country is a sufficient guarantee of that. I am reliably informed that Mr. Gustafson's own companies in Nebraska are to-day bankrupt and in the hands of receivers. I am so told. I don't know. I have not had a letter to that effect, but it was given to me over the wire from Omaha. All I know is this: That I had an office in Omaha in the late summer and saw auditors' reports on those organizations, and unless somebody came up with the capital necessary for them to do business those companies were absolutely out.

That is the experience the farmer has had in attempting to go into a highly specialized business without securing highly specialized men to handle that business for him. It is unfortunate. I have among the cooperative elevators in Illinois some of my nearest and closest personal business friends. I think of one grand old man there that runs an elevator over at Ashland—Mr. McLaughlin—who is the very highest type of country grain-elevator man, who has served his community faithfully and has kept out of this herd of men who are attempting to capitalize this business for their own personal benefit, and his organization is functioning properly.

But, on the contrary, I can look over that State, and I can call your attention to place after place where to my knowledge farmers' organizations are being upheld by individual notes at certain banks, signed by the larger farmers, hoping against hope that something will develop in the condition of the grain business which will permit of those men getting out from under. And I heard it from one of the greatest organizers of the farmers' cooperative movement in Illinois—

Mr. Charles Adkins, a former secretary of agriculture—that it will take five years of the most prosperous conditions ever known in the grain trade to bring the farmers' cooperative associations out of the financial disaster in which they have fallen, and he is being called upon by these very organizations to come down there and help them to raise enough capital to carry over those conditions, and I take his word for it, because I know him to be a truthful, able man, and he knows from actual experience in the conduct of those companies what the trouble is. His company is functioning correctly on right business principles.

It is to be regretted that this situation has arisen, but, gentlemen, what would you do under these circumstances? Would you stand idly by and see misrepresentation and falsehood spread among your customers without attempting to deny it? Suppose you were in the grocery business, and it was noised about by public meeting and by private, paid solicitors of a rival that you were short weighing your customers, that you were overcharging them, that you were giving them goods of an inferior quality, and that your margin of profit was beyond anything that was reasonable. Under those conditions the grain trade felt its inherent right as a body of men and as individuals to present clearly the truth to the producer and to let him decide.

Now, how effectively we did that I can show you by my own testimony and by a witness who will follow. In Illinois when we were attacked in the State legislature—and I happened to be one of the members of the committee who was down there during all of that experience from the Chicago Board of Trade—we were told that there were 200,000 farmers in Illinois who wanted the present marketing system put out of existence, and the legislators were so informed, and a paid bunch from the Nonpartisan League, the Society of Equity, the Townley crowd, and every other organization that the farmer has to-day tried to put into effect were there to assist in the killing of the grain trade in Illinois. We were greatly disturbed. We could not get the truth before that body.

They were inflamed by false statements, and we had to go down in Illinois and canvass the whole State from Cairo to Chicago, and what was the result? Well, I have a gentleman here who is an honest-to-God dirt farmer, who was one of the men we never met before he came from his own town up to Springfield, and who was the man who addressed the legislature on the final day of the argument on these bills, and was one of those who was instrumental in showing the legislature the danger of destroying a marketing system that has functioned through stress and times of great prosperity and adversity as well, successfully, and honestly, for the great bulk of the producers of this country. He was one of over 5,000 of the biggest farmers in Illinois, and if the committee so desires I can lay before you the signatures of those men, and the amount of acreage that those farmers represented, owned, and where they came from. I have that all in my possession.

These men all went up to their representatives and their senators, and they told them in unmistakable language what was their viewpoint on this thing, and what was the answer? We don't want our present marketing system interfered with, and if this other marketing system that is being exploited, and propaganda is being spread all over the State as to what it is going to do—if this other marketing system can do what it says, let them go ahead and do it, and then we will be willing to talk about this; but for the present we do not want our marketing system interfered with. And 1,500 of them went down and waited upon the governor of that State and told him in unmistakable language how they felt about it.

The result was that after eight weeks of the most intense argument before the joint bodies of the house and the senate that legislature definitely defeated those measures, and the farmers of Illinois were responsible—not the grain trade. It was the farmers of Illinois, the big honest-to-God farmers who were making a success of the farming proposition came up there to Springfield in our behalf and who succeeded in persuading the lawmakers of that State that they represented the best sentiment of the rural communities, and they came up there, gentlemen, and not one of them was paid a dollar for coming there. I can truthfully testify to that, because I was the man who disbursed the money in connection with the taking of those men there. We provided their transportation and gave them two or three square meals, and they came up there as much in their own behalf as in ours. We did not tell them what to say.

Senator LADD. You paid their railroad fares. I understand you to say?

Mr. MANSFIELD. Yes, sir.

Senator LADD. And you paid for whatever meals they ate while they were there?

Mr. MANSFIELD. Yes, sir.

Senator LADD. I suppose that is what a former witness meant when he said that the meal tickets were signed "Mama."

Mr. MANSFIELD. Yes. That was me. Those meal tickets were given in every restaurant and café in the State capital.

Now, gentlemen, have we a right to do that? About the third week of that experience the United States Grain Growers came up to the State capital and packed the senate galleries and crowded the floor, and they had their hecklers in every part of the galleries with written questions in their hands, and whenever one of our speakers attempted to bring up a point of argument he had a prepared question fired at him by the gallery. A condition which has never obtained before or since in the senate of the State of Illinois, an unprecedented condition. Those men, gentlemen, were brought down there in exactly the same manner as our representatives. The only difference in their case was that they were given the ammunition to fire. We did not have to tell our people anything. This gentleman, Mr. Seuss, is an example. We never saw him before. He came down there and became one of our champions because his marketing system was jeopardized. And what was the result? Wherever you found a farmer up there who would come up to the board of trade crowd you found a man who could argue, because he was an intelligent man. He was not led around by a leader and told where to go and what to do. He was not given any questions to ask. I can honestly say that Mr. Seuss was in and out of our rooms at the Lehigh Hotel practically all of the time during the two weeks when the thing was imminent, and Mr. Seuss, I think, will be willing to testify to this, that he never was told a single thing to say, and we didn't know what he was going to talk about. He asked to be heard before that committee on his own behalf, and what was the result? After all had been said and done the present marketing system continued.

Gentlemen, there is not any organization that is perfect. God knows they are all subject to betterment. But, gentlemen, we are striving. This association, that Mr. Quinn represents, is one of the purgers of the body politic in the grain world. I know that Mr. Quinn has gone to work and disciplined men who were doing business, as he found out, dishonestly. Have you not?

Mr. QUINN. Yes.

Mr. MANSFIELD. You have turned out of the membership of the grain fraternity of this country the men whom you found were not worthy to be called grain men, and to-day I make the statement that the grain trade of this country, its honesty and its integrity will stand comparison with any other body of men—in a commercial sense—in this country. During the war, when the stress of conditions existed, the enormous handling of vast amounts of grain through these elevators without compensation adequate to the ruling of the Government of this country—the elevator men who sent his sons to the war, worked from 12 to 18 hours a day in order to deliver the grain that the Government demanded be sent through these channels, and those men are to-day attacked. Their veracity is questioned. Their honesty is being called into question. The neighbors are being told by paid solicitors that thus and so are the facts. I ask you, gentlemen, if, under those conditions, the grain trade of this country has not the indubitable right to show its integrity, to give the people the truth, and to go to the producer and suggest to him the advisability, in this emergency, of being careful what he signs, and going very slow on tying up his farm for a period of five years without any recourse whatever with a corporation which has not a dollar of assets in the world, and which intended to take the right and title to all of his grain and give him no consideration in the handling of it?

That, gentlemen, was the case before the grain world. Now, what did we do? In the first place, we sent to some 8,200 members of the grain trade throughout this country letters asking for their financial aid for this work. We devoted our time to the raising of a fund to carry on this educational work. The amount in its totality is so small that I am really ashamed to read it to you. I have here the certified public accountant's report on the contributions and the income of this committee and its disbursements.

Senator KEYES. Does that give the list of the contributors?

Mr. MANSFIELD. Yes, sir; this gives a list of the contributors.

Mr. QUINN. You had better leave that for me.

Mr. MANSFIELD. Yes; I will leave that to Mr. Quinn, because the committee, after the grain dealers' convention, in Chicago, in September, turned over this

work to Mr. Quinn, who has since taken it over and the final financial report on that work Mr. Quinn will be able to give you from his own figures.

Mr. QUINN. My report will include Mr. Mansfield's. His office was discontinued on the 1st of January. My report will be up-to-date.

Mr. MANSFIELD. Now, gentlemen, who were the contributors to this fund? Well, first of all the grain exchanges of this country, being directly appealed to by their clients—the small country dealer and elevator man in the country, whose business was jeopardized—were quick to sense the situation and they responded with liberal contributions—liberal for the condition of business at that time. The individual grain dealers, seeing the situation in their districts, also contributed; and the total funds received by the committee, I think, will not be over \$67,000.

Mr. QUINN. The total receipts were \$62,579.

Mr. MANSFIELD. The total receipts were \$62,500. Now, gentlemen, where did that money go? In the first place we sent out very little literature. Our literature was largely a warning to the farmer—"Stop, look, listen! Don't sign anything until you have consulted first your lawyer; second, your banker; and third, your grain dealer." And we addressed letters to the grain dealers and to the bankers and we were satisfied that the lawyers, when they passed upon that contract, on its face, would never pass it—any attorney who had the smallest degree of legal sense. So we didn't direct any letters to the lawyers of this country. What was the result? We sent out posters to the grain dealers warning against the signature of any man who became a signatory was the direct menace. It was the agency that was attacking our integrity.

Secondly, we sent out a legal treatise written in popular form, which put forth four or five uncontrovertible points which made that a dangerous contract for a producer to sign. We were asked by grain men and farmers in rural communities in many States to discuss this proposition, which was vital to these men. They wanted to know. They wanted somebody to tell them that they were not being deluded by the grain trade; they wanted somebody with authority to stand up there and tell them the truth. We sent out from the various exchanges men who were conversant with the grain trade, and, in addition, we had two or three men who spoke at a few meetings in Illinois and one in Kansas, who were men who had a knowledge of the grain business. Mr. Seass was one of them, because of his acquaintance with us in the Springfield campaign. We felt that he was a safe man to discuss these things from his viewpoint. He went down with the others, and they met in these meetings. What did we find? Unfair conduct of meetings and attempts to bring falsehoods and misstatements, and a whole lot of disregard of that contract which you saw here, and no discussion of the dangerous features in that contract for any man who signed it. That was the subject of the attack of these meetings, and I can point you to place after place where, after the contract was discussed fairly and honestly, piece by piece, and the dangerous elements in that contract shown to those men, there never was another signature secured in that territory. Mr. Leslie F. Gates and I spoke at Ottawa, Ill., to some 3,000 people or more.

Many of the men had been solicited for their signatures, and they wanted the truth. We asked a United States Grain Growers' man to be at that meeting, and he refused to be there and discuss the contract. So Mr. Gates discussed, in the meeting of the meeting, the present marketing system, and I afterwards took up the prospective marketing system, and I tried to disabuse my mind of all the prejudices that I had against it, and took it up purely in an academic way and discussed just the things in that contract which I would object to if I were one of those men who were asked to sign a contract of that kind. We responded to questions at the close of that meeting. They were sent up by all classes of men, and every question was answered honestly, and what was the result? To my knowledge there has not been a solicitor able to get a signature in that whole district from that day to this; and in the whole State of Illinois to-day it would be difficult to find any community where this matter has not been discussed. Farmers have driven 30 and 40 miles in order to attend one of our meetings and hear one or another of our speakers, and when they have learned the truth and discovered the very involved contract, skillfully drawn by the best attorneys that were possible, not in the interest of the producer, but in the interest of the institution which was going to function for the producers, these same farmers absolutely refused to discuss the matter, and to-day the sentiment in Illinois and Iowa is clanging rapidly.

At Fort Dodge the other day there was a meeting in which they discussed these very problems, and they voted down, by an overwhelming majority, a resolution favoring the United States Grain Growers. Mr. Kenyon's own partner spoke at that meeting in unmistakable terms as to the fallacies that were, in our very limited way, pointed out to those farmers. This literature was sent to the farmers, just the posters themselves, and a little pamphlet entitled "Sign here." This is a legal analysis, and the author of that analysis is in the room, a practical grain man, one who has been identified with the trade for years; and that legal analysis was one which no speaker that ever arose on a platform in a single farmers' meeting could answer, and you can not go back of the facts. That pamphlet showed the rural communities the danger of this thing, and it resulted in a total rout of the United States Grain Growers, not through any desire on our part to kill them, for we would have liked to have seen them go ahead and function, but we did not want our customers to be tied up for five years and have no recourse, and naturally we took the attitude that any honorable business man would take, not to tell the farmer what to do, but to tell him to be careful and to consider carefully this situation. And that, gentlemen, is the history of the work of this committee. Not one dollar was spent for any purpose but educational work. Not a dollar was expended for any needless thing, so far as I know. I received absolutely not one penny of compensation for days and nights of intense labor. Why? Because this was a business in which I have been engaged since I have been 15 years of age, and I knew the malicious character of the attack made upon it, and I knew the condition of the country grain dealer, and I have many friends and clients among the grain dealers of the State of Illinois, and they were calling upon me, "Help us," and, giving up my own business and sacrificing my time, I went out and raised this fund.

Now, gentlemen, digress a moment from that, because I have shown you where the money went, I can show the disbursements right in there, and I will explain every item to your entire satisfaction and show you what it went for, and how it was spent, and to whom it went.

Just leaving that for the time being, just let us go one step further.

The situation in the grain trade was this: A growing discontent among the producers because of the total elimination from the markets of the world of buyers, the same situation which faced retail men all over the country. Grain was unsalable. For over 10 months last year it was just like pulling teeth to sell a car of corn to anybody, and there were 10 men offering a car where there was 1 man wanted it, and corn prices went on the down grade, and finally they went down below the cost of production. Now they are just beginning to come back, not because of any betterment in the demand of this country, but because of an unfortunate condition abroad which makes it necessary for them to use corn, which they never were able to use before, and now our corn crop is gradually moving out. With the heaviest receipts known in recent years, the corn market is on the up grade. I thank God for that. It is a situation that every grain man appreciates from the bottom of his heart. He doesn't want to take that farmer's corn at a loss. He would rather sell it at a profit to the farmer. He does not want to be obliged to sell this corn to a speculator to carry. He would rather pass it into ultimate consumption. But if ultimate consumption will not take it when it must go to the man who has the means and who has the ability to take that corn and hold it. And that has been the situation in that particular cereal, and there is no demand to-day for oats, except in a very modest way, and the oats men are sitting still with 70,000,000 bushels of oats in the various distributing points in this country, and they are not able to sell a bushel at satisfactory prices. That is one of our problems. We have got our troubles. God knows we have them. But we are trying to function, to give the farmer a market for his product every day.

Down at Springfield I talked with a man who appeared as a witness for us in this marketing problem, Mr. Delaney, of the Kankakee district, who owned a farm down in Arkansas. He grew rice down there. He had two farms in the Kankakee district where he grew grain. He gathered his rice crop. He wired his banker down there to sell his rice crop. The reply came back, "There is no market for it." He wired back, "How much will you loan on that rice?" "We can not loan you a dollar." He had obligations coming due in that State against that investment there. He came back to his farms in Kankakee, and he sold out his wheat, his corn, and his oats, and he paid his obligations down there. He had an open market every day in the week, every week in the year, for his grain, and when this collection of men who attempted to interfere with

that marketing system went down in that territory he was one of the men who got out actively and opposed it, for this very fact that I have recited here.

Gentlemen, if this organization could have functioned it should have functioned without any attack upon the grain trade, and the inevitable law that governs all business would have resulted in this organization handling the grain business of the country, and the elimination of the present marketing system.

But, gentlemen, this organization could not function. It was built upon an impracticable plan. It was headed by men who were not grain men, and the result has been just exactly what we thought it would be. To-day solicitation for subscriptions goes on. The organization is deeply in debt, and there has not been a single case where it has functioned for the benefit of the producer to date, and it is obliged to seek new territory where no work has been done, comparatively, to get further signers for its contracts.

I maintain, gentlemen, that any man who is attacked and does not defend himself has not got very much of the American spirit within him. And we were attacked unfairly, and we responded, not by direct attack upon the organization, trying to eliminate it, but by defending our rights and explaining to the farmers of this country the situation, the contract that he was asked to sign, and we suggested to him the advisability of carefully considering before he signed.

That is, in sum and substance, the history of this committee.

Now, I don't know what further light I can throw on this subject. If I were to repeat that story over 50 times it would be the same, because all I have is the facts and the truth to place before your committee; but I am perfectly willing to answer, to the best of my ability, any questions that you may ask, or to explain any statements that you may wish to ask regarding it, and I can assure you that I am as anxious as you are to get at every bit of truth about this thing.

But, gentlemen, in that connection, may I just make one closing suggestion. From our knowledge of the work that we have done in the grain territory of this country we are satisfied that for every dollar we have expended there has been expended by the opposition an immeasurably larger amount. If it is fair to investigate one side, why not take a look at the other side, and, in all fairness to us, find out if we were not those who were attacked, and our friends on the other side the aggressors; and I am satisfied that when you get the story of events from the country where this thing has been a red-hot proposition, you will not have any difficulty in finding facts to substantiate practically everything that I have stated before your committee. I haven't anything to conceal. I have nothing to apologize for. I stood upon my constitutional rights and upon my rights as a business man in this country, doing business in an honorable way; but, gentlemen, I claim that I have not violated one single iota of the ethical law, nor one single iota of the written law of this land in my attitude as chairman of this committee, or as an individual. And so, gentlemen, I stand upon my rights, and I say that if I had this to do over again I would do it, only I would go clear through to the end, and when I got through there would not be a producer in this country who would not know the facts as to what it costs to carry a bushel of wheat, corn, and oats from his farm to the ultimate consumer, and the amount of money that is collected in between by the so-called middleman, and I would put that against any business in the country.

The cost of handling that stuff I would put before the country, and I would not be ashamed of the set of figures that would be adduced from that investigation, because I know that we are handling grain in this country on the lowest possible margin of profit and to the highest possible degree of efficiency to the farmer and to the consumer. And both have rights. We are dependent upon both, and we perform an economic function in this world, and you can not any more do away with that than you can change the course of the sun or the moon or the stars.

And so, gentlemen, I just want to leave the thought with you, that if you are investigating one side of the question, why not, in fairness, look into the other side and see the vast amount of farmers' money that was expended in this country for the purpose of maliciously putting the grain trade in a false light and distorting the facts to meet the needs of the men who did it.

Now, gentlemen, I am not going to say but just one other thing. I do not make any statement against these men who formulated this plan. From results, I believe the committee of seventeen were attempting to do what in their

opinion was the right thing to do, but, gentlemen, it seems to me if I were in a position of that kind I would call in the most expert advice in the country, and it could be gotten, without doubt, and I would discuss this thing with the recognized handlers of grain in every department, and I would not make the statement that I was going to chase all of the exporters of New York, Boston, and Baltimore into the sea, and I was going to handle that business myself, until I knew how to handle that business, and I would not make any extravagant statement as to what was going to be the cost of handling this stuff in the country, and how much they were going to bring back to the producer until I had shown by actual handling that I was able to fulfill those promises.

Therefore, gentlemen, if there is any question on which there are absolutely two sides, it is this investigation; and, in behalf of the members of this committee and the grain trade of this country, I will ask you gentlemen, in all fairness, to look into the other side of this question and compare the expenditures of both, and then pass judgment as to who was using the fund, and compare the kind of literature and the tone of the argument presented and the character of the attack made, and I will rest my case on what you gentlemen address as the truth of this situation.

Senator KEYES. Mr. Mansfield, referring to the meeting at Cincinnati in June, 1921, you have produced here a resolution?

Mr. MANSFIELD. Yes, sir.

Senator KEYES. Do I understand that resolution that you have produced was adopted at that meeting?

Mr. MANSFIELD. It was adopted.

Senator KEYES. Was there any reference in that resolution to the United States Grain Growers (Inc.)?

Mr. MANSFIELD. None whatever.

Senator KEYES. Was the resolution adopted by roll call?

Mr. MANSFIELD. It was.

Senator KEYES. Was there any fund raised directly at that meeting?

Mr. MANSFIELD. There were promises that funds would be forthcoming.

Senator KEYES. Was any amount fixed as to what fund should be raised?

Mr. MANSFIELD. No. It was suggested that the raising of the fund be left to a committee, and that the executive committee attempt for the time being the solicitation of funds enough to take up the emergency work, which was very pressing. The grain dealers of the country were calling on us for help in their situation, not knowing how to meet this situation.

Senator KEYES. The preamble of this resolution says:

"It is reported that at this meeting it was determined to institute an active campaign against the United States Grain Growers (Inc.), a newly organized national cooperative marketing company for marketing the grain of the farmers of the country, and also to institute a campaign for defeating legislation desired by the organized farmers of the country."

Now, what have you to say to that?

Mr. MANSFIELD. The meeting did not directly refer to the United States Grain Growers alone. They were one of a multitude. The Townsleyites were already organizing in Illinois and spreading their dangerous doctrine, not of cooperation, but of socialism, in our own State; and, knowing this situation, the grain dealers were calling to us, "What shall we do?" and that was one organization. The Society of Equity, which has functioned without any degree of success for years in the Northwest, was also present in that territory. The United States Grain Growers had absorbed the farm advisers of the country, and the Farm Bureau was nothing but a propaganda department for the United States Grain Growers, although the farmers of that territory were paying their good taxes for the purpose of having that bureau assist them in raising better and more crops and benefiting the farmer thereby. They were actively canvassing signatures for this contract, and they were directly attacking the grain trade.

Now, the Farm Bureau is one of the grandest institutions that was ever organized, and it has done wonders for this country; but, gentlemen, so help me, as I stand here, if this campaign of theirs continues, there will not be any Farm Bureau. In the State of Illinois the recessions of their ranks are by the hundreds.

Senator KEYES. Why.

Mr. MANSFIELD. Because these men are fostering in all manner of schemes and not attending to the work that they are paid for, and they are lending themselves to this campaign.

Senator LADD. What work were they intended for?

Mr. MANSFIELD. For the betterment of the farmer, the securing of larger results from the farms, both in the yield and quality, and advising the farmer on his problems.

Senator LADD. Is not the marketing of the crop one of their functions?

Mr. MANSFIELD. I have never understood it so.

Senator LADD. Is not that a part of the farmer's problems, the marketing of his crop?

Mr. MANSFIELD. Yes, sir; to the best advantage.

Senator LADD. Has not the Secretary of Agriculture, who is really the head of this work, interested himself in the marketing of the grain?

Mr. MANSFIELD. Yes, sir.

Senator LADD. And therefore the employees who work under him would naturally be expected to cooperate with him? I want to get your view on that.

Mr. MANSFIELD. I might say, in answer to that question—I will answer you as frankly as you have asked the question—the truth was that they actively worked for the organization of the United States Grain Growers, a private corporation, and they neglected their work in many counties that I know of, and the result was when this fight in Illinois came a sharp demarkation was evident between the men who were called conservative and the other men who were called radical. The conservative and the bigger farmers of the community began to get very much incensed at this active partisanship of a paid Government or State official, and they resented it, and the result has been a movement which is today sweeping over the country, fostered by nobody, but running here and there and endangering the very thing that has done a wonderful work for the farmer.

Now, I trust that that answers your question.

Senator LADD. I wanted your view.

Mr. MANSFIELD. Now, let me give you another viewpoint. This comes from some of my friends down State. They say to me: "Why should we support a man who spends the greater part of his time out among the farmers, helping to organize a system in which we do not believe, and which has not functioned, and destroy our present marketing system, because when they go with the constructive work on the one hand they have destruction in the other?" That is the answer that my friend gave me from down in Illinois, right in the districts where this thing has happened, and where the recessions from their ranks are the greatest.

Senator LADD. Who made up the farm bureau?

Mr. MANSFIELD. The farmers who subscribe their money to that organization.

Senator LADD. And they employ and select a farm county agent, do they not?

Mr. MANSFIELD. They are selected with the assistance of recognized agricultural sources, the University of Illinois—

Senator LADD. They approve them, but the department selects them?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Therefore, the farm agent is the representative of the farmers themselves, paid for, of course, by the State in some places, and in part by the United States.

Mr. MANSFIELD. Yes, sir.

Senator LADD. Is he not, then, directly under those farmers in carrying out their wishes, and therefore responsible to them the same as you are to the men you may be employed by?

Mr. MANSFIELD. I can answer that, Senator Ladd, by saying this: That in farming districts, I think I am right in saying in your district [referring to Mr. Seass], action was taken without any meeting; no notices were sent out, and in some cases notices were sent, but to only those who they knew would be favorable to their side of the question, and the other side disregarded, and meetings were held and action taken without the will of the majority.

Senator LADD. That is what I wanted to get from you.

Mr. MANSFIELD. I think Mr. Seass' district was one of those where there was a revolt from the farm bureau. If I am not wrongly informed you are a member of the farm bureau to-day?

Mr. SEASS. Yes, sir.

Mr. MANSFIELD. And you are an objector to that activity down there, are you not?

Mr. SEASS. Yes, sir.

Mr. MANSFIELD. There is a case in point. And I could give you many others of similar nature.

Senator LADD. I want to go back for a moment to this contract. When you sign a contract and there is a constitution and by-laws, is it not generally customary that you must abide by the constitution and by-laws?

Mr. MANSFIELD. Yes, sir; if you understand what they are.

Senator LADD. So, therefore, this is not any different from any other in that respect. The constitution and by-laws are always understood as a part of your contract in every organization of that kind, and every corporation as well.

Mr. MANSFIELD. Yes; Senator, but with this difference, that the whole of this scheme that is covered by this contract was not explained to the signer. The inference was, now, this is your movement and mine, and, of course, we are brothers, and between brothers everything is all right. Now, this is all right. Now, they didn't tell them that the funds raised from the sale of stock did not safeguard that contract one iota, and that they had no voice, and after they signed that contract, in the handling of those funds; and the ally of a friend of mine in Illinois said, "Give me the same conditions in my territory and I will perpetuate my crowd in power in Illinois until I am through with all things earthly." In other words, under that contract the elections by the members of the governing body of that farmers' marketing organization can perpetuate themselves in power by only electing one man a year that is favorable to them. Do you call that fair? I don't.

Senator LADD. I want to get all the light I can on both sides.

Mr. MANSFIELD. But, Senator, would not that prejudice you against a contract of that kind? Would you go into a stock company in which you did not have any voice in the handling of that thing, and in which the funds that were secured from the sale of that stock were to be held by a subsidiary company, and your vote was only allowed for a representative, one representative of that subsidiary company?

Senator LADD. I am not under cross-examination.

Mr. MANSFIELD. No. Pardon me.

Senator LADD. But I want to say this, that before signing such a contract I would familiarize myself. I grant that. In the second place, there is a different interpretation, as I understand it, between yourself and some others. Therefore it will be for the committee to unravel the real facts when they come to make that decision.

Mr. MANSFIELD. Senator, I am perfectly willing to stand on that basis, because we have tried to secure interpretations, and we have been verified by the securities bodies of these States. The very things that we object to are the propositions which they will not allow to go in, because of the character of that organization.

Senator LADD. Now, I wanted to get at another point: You said the farmers had all signed for five years. Is that a correct statement?

Mr. MANSFIELD. It is, except in parts of the Northwest, where a one-year contract was offered.

Senator LADD. Is it not true that the farmer has a contract that he may sign for one year, and then he controls the selling and the price and the time, and the other contract is he signs to sell all his surplus to that company for five years; is not that the truth? It was a pooling contract?

Mr. MANSFIELD. No, sir; not to my understanding. The contract that was offered for signature in Illinois was not a pooling contract. It could not be. It is a marketing contract. There is a differentiation.

Senator LADD. But when he signs this contract he agrees to sell all his products to this agency for five years?

Senator LADD. He signs away all his rights in that grain for five years.

Senator LADD. But he has the privilege, however, of signing for one year?

Mr. MANSFIELD. No, sir; I beg your pardon. There was no one-year contract offered in Illinois, and we canvassed the whole of that State. When we told some of those farmers that they were offering a one-year contract in Minnesota they nearly threw a fit.

Senator LADD. Do you mean that all the signers in Illinois are five-year signers?

Mr. MANSFIELD. All the signers, so far as I know, in Illinois, Indiana, Iowa, and Minnesota are five-year signers.

Senator LADD. How many members have they signed up in Illinois, and how many elevators?

Mr. MANSFIELD. Well, I could not give you the figures. I have not paid much attention to those figures lately.

Senator LADD. They are on record here. I want simply to see what you know about it.

Mr. MANSFIELD. I could not tell you. I kept in touch with it until last September. Since then I have had to devote my time to my own business, and I have not kept in touch with it except in a general way. I knew that they had less than 14,000 signers up to the date of our convention.

Mr. QUINN. They publish them periodically. I have seen them in the press every week or 10 days or every month.

Senator LADD. I infer from your statement that the farmers of Illinois are not any longer signing up?

Mr. MANSFIELD. No, sir. Just before I left Chicago I had a request from two grain districts where the farmers are calling a general meeting of the signers of this contract and asking me for advice as to what they shall do, the organization not having functioned, and they being dissatisfied with having their names signed to these contracts, and they are looking for a way out.

Senator LADD. Is it not true that in California the cooperative organizations are, several of them, signing a five-year contract?

Mr. MANSFIELD. I could not tell you. I am not acquainted with that section.

Senator LADD. The raisin producers, for instance?

Mr. MANSFIELD. I could not tell you. I know nothing about it, except as to grain. That is all I know about.

Senator LADD. How about the United Grain Growers in Canada? What is their present contract?

Mr. MANSFIELD. I could not tell you that. I am not acquainted with the Canadian situation. I did not go into that at all. I am simply a mid-West grain man, and am acquainted with the handling of grain in that territory.

Senator LADD. Are you favorable and sympathetic to cooperative marketing of grain?

Mr. MANSFIELD. Yes, sir; and I have very many good, warm, personal friends among the farmers' cooperative managers and stockholders.

Senator LADD. I have been informed that none of the grain exchanges or chambers of commerce that handle grain will permit a cooperative institution to become a member. Is that true?

Mr. MANSFIELD. That is absolutely and unqualifiedly a falsehood. There are at the present time as members on the Chicago Board of Trade several cooperative organizations. The simple truth of the matter is this, that the members of the grain exchanges, to safeguard their general interests, have prepared rules which are the will of the majority of those organizations, chosen after careful consideration of all the facts in the case, and all the interests involved, both receiving, shipping, and export, the country dealer, the terminal marketing man, the terminal elevator man, and all the interests involved, and those rules will not permit any rebate of the cost of handling back to the men who send in that business, based on a patronage basis.

Senator LADD. In other words, then, that excludes every truly cooperative organization?

Mr. MANSFIELD. No, sir; it does not.

Senator LADD. What do you define a truly cooperative organization?

Mr. MANSFIELD. An organization composed of farmers who market their grain through one central agency which they control and direct.

Senator LADD. Is not that necessarily controlled by these farmers in the most of these organizations? Aren't the business men of the town also interested?

Mr. MANSFIELD. Not that I know of. Quite a few business men that I am acquainted with in Illinois are interested in the grain trade. They may have a share of stock. There are some of them that are farmers that are in these organizations.

Senator LADD. Can you and will you give a list of those who hold a membership in the grain exchange at Chicago as truly cooperative organizations so as to enable us to put that in the record?

Mr. MANSFIELD. Yes, sir. I can not do it right now. I know that they are there and I am acquainted with some of the men personally.

Senator LADD. The committee would like to have that.

Mr. MANSFIELD. I will be very glad to furnish those facts to the committee.

Senator LADD. You say that where they pay a patronage dividend such organizations are permitted to become members?

Mr. MANSFIELD. No; that is not it.

Senator LADD. Well, I want to get that correctly on the record.

Mr. MANSFIELD. I want to correct that statement. If you have that impression, Senator, that is a wrong impression.

To become members of the Chicago Board of Trade they must agree to abide by the rules already on the books and those which may be promulgated by that association afterwards.

Senator LADD. And in among those rules is one that provides that no patronage dividend shall be paid?

Mr. MANSFIELD. That is not the statement, Senator. The statement is that heretofore in the grain business we have found unscrupulous men who creep into any organization on and who, by reason of those rules, attempt to handle the grain for less than the ruling cost, thinking thereby to handle a large volume of business. They violate all rules and get away with a certain amount of profits. They are not smart enough grain men to be open competitors on an even footing with all the rest, and as rapidly as we find those men we fire them totally out of the organization. When a cooperative organization comes up for membership on the board they have to carefully read the rules. The rules of the board of trade are open. I would be very glad to file with you gentlemen a copy of those rules. They are reasonable.

They are the result of the deliberations not of a small body of men who meet in some back rooms, but they are the outgrowth of trade conditions which force those rules upon the exchange; the varying cost of commissions, the varying changes in the grain world make those rules necessary, and there gathered in that great market place are the dealers of grain purely from the western and southern territory, shippers of grain to the East, exporters, foreign representatives buying grain in this country for foreign export, terminal elevator men who perform a function as well as any other contingent part of the grain world, and all of the various interests of the entire country, the big bankers of Chicago being members of that exchange. They have a voice in the rules—not a very active one. They control so many votes, and they come in there and vote just like an individual. When it becomes necessary to change our rules for any reason, by petition to the directors the change or amendment to the rules is placed before the membership for at least 10 days' consideration, and then a ballot vote of the entire exchange is called to pass upon those amendments, and they are either affirmed or denied. That is the method in which the rules are changed.

Senator LADD. I should perhaps have modified my statement somewhat. That may be, we will say, the rule at the present time in regard to cooperative organizations, but was not the rule different before this Federal law was enacted one year ago?

Mr. MANSFIELD. Yes, sir. There is one organization of Ottawa, of which Mr. Boenges is manager, which has been a member of the Chicago Board of Trade, as near as I can recollect, for some five years. I have known him personally for longer than that.

Senator LADD. Is he a member himself personally, or is the organization of which he is manager a member?

Mr. MANSFIELD. No; there has to be one person in that organization a member. The membership must be in an individual's name. There are no firm memberships.

Senator LADD. I certainly got a wrong impression from the hearing before the committee of seventeen from Mr. Gates, who I understood to say that any organization paying a patronage dividend was not eligible to membership.

Mr. MANSFIELD. So long as they attempt to violate the rules that are already on the books.

Senator LADD. That is one of the rules?

Mr. MANSFIELD. That is a rule that safeguards me in my business.

Senator LADD. In other words, before any truly cooperative organization can become a member of the exchange they would have to give up their own rules?

Mr. MANSFIELD. That may be.

Senator LADD. And no longer could send back their patronage dividends?

Mr. MANSFIELD. That may be correct. That is one of the rules, but not placed there for that purpose, Senator. It is a rule that safeguards me in my business.

Senator LADD. In other words, in Canada, before the so-called cooperative can become a member of the exchange it would have to give up its rules?

Mr. MANSFIELD. That may be.

Senator LADD. And no longer could send back their patronage dividends?

Mr. MANSFIELD. That may be correct. I have no knowledge of the Canadian situation.

Senator LADD. Can a cooperative association become a member of the Minneapolis Chamber of Commerce or grain exchange, whichever it is? I don't recall?

Mr. MANSFIELD. Yes, sir. They have members.

Mr. QUINN. They don't take in any corporation as a member.

Mr. MANSFIELD. No corporation has a membership on the board. It must be in the name of an individual.

Senator LADD. Is the Equitable Society, which is the largest in the Northwest, permitted to have a member on the exchange?

Mr. MANSFIELD. On the Minneapolis Exchange?

Senator LADD. Yes, sir.

Mr. MANSFIELD. No; I don't think they have. To my knowledge they have not. I don't believe they have a membership. They sell their entire product on the exchange floor, however.

Senator LADD. Through agents?

Mr. MANSFIELD. Yes, sir.

Senator LADD. And you say they sell their entire product?

Mr. MANSFIELD. Yes, sir. All the stuff, practically, that comes through them is handled on the floor of the Minneapolis Chamber of Commerce.

Senator LADD. This is the Grain Dealers' National Association?

Mr. MANSFIELD. Yes, sir.

Senator LADD. You have memberships in North Dakota?

Mr. MANSFIELD. Yes, sir; I think so.

Mr. QUINN. Not very many.

Senator LADD. Are they not one that have been enforcing the laws in regard to grain rates, and so forth?

Mr. MANSFIELD. No, sir.

Senator LADD. Your association has nothing to do with that?

Mr. MANSFIELD. We have nothing to do with that. We were opposed to Townleyism, but I think that does not enter into this at all.

Senator LADD. That does not enter into this, but we have discussed that somewhat here.

Mr. MANSFIELD. We are perfectly willing to discuss it at any time or place.

Senator LADD. You are connected with, as I understood you to say, Bartlett, Frazier & Co.?

Mr. MANSFIELD. Yes.

Senator LADD. Are you a member of that firm?

Mr. MANSFIELD. I am not. I am their manager of their exchange floor, handling their business, and have charge of their out-of-town offices.

Senator LADD. By floor manager, you mean on the chamber of commerce?

Mr. MANSFIELD. On the board of trade.

Senator LADD. On the board of trade?

Mr. MANSFIELD. Yes, sir.

Senator LADD. And they do both hedging and direct sales, I suppose?

Mr. MANSFIELD. They handle every kind of grain business. They have their own offices at Liverpool and are also exporters and have the largest elevator capacity of Minneapolis. They have their own offices in Kansas City, St. Louis, Chicago, New York, Baltimore, Boston, Toledo, and so forth.

Senator LADD. You have stated that if the committee made an investigation they would find that the United States Grain Growers were the first to make the attack on your organization?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Have you any evidence to put in to support that statement? I think that ought to go into the record.

Mr. MANSFIELD. I can give you my own personal testimony on that point, which I think will be all that I could give you.

Senator LADD. We ought to have some concrete evidence.

Mr. MANSFIELD. Now I will give you my testimony.

Following the Springfield fight, in which the United States Grain Growers and the Illinois Agricultural Association and all these other friends of theirs called upon us to assist them—

Senator KEYS (interposing). When was that, Mr. Mansfield?

Mr. MANSFIELD. That was in May, 1921, up to the close of the session, which closes, I think, the 1st of June or the early part of June.

Senator LADD. And when was this Cincinnati meeting?

Mr. MANSFIELD. The Cincinnati meeting was June 27. I beg your pardon. The legislature did not adjourn, I think, until June 20.

Mr. QUINN. What the Senator evidently wants is, the grain growers made a direct attack upon the Grain Dealers' National Association. The Grain Dealers' National Association did not appear in this controversy until June 27.

Mr. MANSFIELD. But the committee did not function until July 1.

Mr. QUINN. Of course, when the grain growers attacked the present distribution system then they were directly attacking us.

Mr. MANSFIELD. I will answer your question as to the direct evidence on that. Following the Springfield difficulty, I received letters and telegrams and telephone messages—long-distance telephone messages—from various grain men in the various districts of Illinois telling me of the attack being made upon them, and through them upon the various exchanges, including the Chicago Board of Trade, stating some of the misstatements and the falsehoods being publicly spoken by these agitators who were already at work in certain counties in Illinois, notably the district around Bloomington, in behalf of this contract. We had been under attack through the various radical farm papers, and particularly the *Prairie Farmer*.

Senator LADD. Against the Chicago Board of Trade?

Mr. MANSFIELD. The grain trade.

Senator LADD. Against you.

Mr. MANSFIELD. The entire grain trade.

Senator LADD. I will grant that. I was a party to some of these attacks myself. But that is not the question. The question I want is to connect you and your organization up with the attacks made.

Mr. MANSFIELD. I am getting to that, Senator. If you will just allow me to go into this thing I will show you how this connects up.

This information contained in this paper was being talked, with a lot of other statements which were utterly false, publicly from platforms in all parts of central Illinois. It was also prevalent in parts of Missouri. The grain trade were calling for help, as I have stated before. I personally went down into Bloomington directly and was there confronted with some violent attacks made on the grain trade, not only upon the country handler of the grain but the distributor in the primary market, the exporter, and the entire grain world; and the most extravagant statements as to the amount of profits that was derived by the handling of grain by the middlemen were being passed around as gospel truth throughout that territory. We tried first this method of asking for permission to be heard at any meeting which was discussing the marketing problem. We found such unfair treatment at the hands of the chairman and the speakers for the United States Grain Growers that we decided that that was impracticable, and reports of those meetings were distorted beyond actual truth, and Mr. Bills himself, of the Bloomington Pantagraph, told me that they were going to publish in their paper what they pleased—not the truth. I asked him if he told the truth about these things. That was young Mr. Bills. I warned him that if he continued we would have, in our defense, to go into the country and tell the country the truth.

Senator LADD. Is he a member of the Grain Growers?

Mr. MANSFIELD. His brother was one of the national officers of that organization, and through that family connection the Pantagraph became a very violent organ in favor of the grain growers as against the grain dealers of the country.

Senator LADD. That does not connect up the grain growers. I want to get something concrete.

Mr. MANSFIELD. I put in there that the attacks were made by the paid representatives of the grain growers. What could be more direct?

Senator LADD. Upon the grain dealers?

Mr. MANSFIELD. Upon the grain dealers.

Mr. QUINN. The Grain Dealers' National, Senator?

Senator LADD. The Grain Dealers' National.

Mr. MANSFIELD. All of these men, or the bulk of them, are members of the Grain Dealers' National Association.

Mr. QUINN. They are virtually the same. You admitted that you made attacks on the grain dealers.

Senator LADD. I said I may have been a party to it, myself.

Mr. QUINN. When you did that you made an attack on the Grain Dealers' National Association, because it embraces virtually everybody.

Senator LADD. And yet you say you have no members to speak of in North Dakota?

Mr. MANSFIELD. This is in Illinois.

Mr. QUINN. There are very few independent dealers in North Dakota. There are three classes. There is the independent, there is the line house, and the cooperative. The line houses all belong to our organization.

Senator LADD. How many line houses are there?

Mr. QUINN. I could not say positively, because most of the big concerns in Minneapolis have line houses there.

Senator LADD. About 800?

Mr. QUINN. It depends on what you call a line house.

Senator LADD. There are three classes: The line house, the independent, and the cooperative.

Mr. QUINN. We have a few members in North Dakota, a few independents, and, of course, the big line elevators all belong to the association through their Minneapolis connections.

Senator LADD. Then you have there 800?

Mr. QUINN. Our memberships are all out of the Minneapolis market. We have some 80 members from Minneapolis.

Mr. MANSFIELD. Now, Senator, coming back to your inquiry, those attacks were made directly upon the grain trade, upon the grain dealers of the country, in the primary markets, in the distributing centers, and the misinformation that was being given was a direct attack upon our integrity and honesty. Consequently we sent into that country men who were conversant with the facts, and we gave the facts to those people, regardless of the attitude of the audience or the chairman, and then we distributed our literature, as I have explained in my previous testimony, and the result was that gradually there became a division in the country; those who understood the marketing system being on one side and those who favored a new marketing system, the United States Grain Growers, which was the one system that was doing the attacking more than all the others. The Townley people made some progress, but very little, and the Society of Equity very little. The result was that in that territory a sharp demarcation took place, and today the State is practically settled in its own mind as to what it will do with its grain.

Senator LADD. I want to get that as a matter of record. You have referred to the cooperatives, the Society of Equity, and the Townley system. What is the Townley system?

Mr. MANSFIELD. I could not tell you, Senator, because all I know about it is the Townley organization, which appeared in Springfield, secured signatures to membership in their organization in various parts of Illinois, and for a while, before the United States Grain Growers became prominent, were making considerable headway. I presume it is the same old North Dakota organization.

Senator LADD. That is not a cooperative system of the marketing of grains?

Mr. MANSFIELD. No; it is the Nonpartisan League over again.

Senator LADD. That is another thing.

Mr. MANSFIELD. But they were down there on this marketing problem. They have taken up the marketing problem, and the Nonpartisan League in North Dakota, as you know—

Senator LADD. What do you mean?

Mr. MANSFIELD. The Nonpartisan League had charge of the marketing in that State.

Senator LADD. I beg to differ with you. If you will look up the record you will find an entirely different state of facts. The farmers of North Dakota are all practically signed up with the United States Grain Growers.

Mr. MANSFIELD. Now; but I am talking about when the Townley people controlled that State.

Senator LADD. The Townley people never marketed a bushel of grain, so far as I know, in the State of North Dakota through their organization.

Mr. MANSFIELD. No; but they controlled the organization which did.

Senator LADD. No; I beg to differ with you, unless it be by the control they had of the cooperative organizations of the State. There were over 600 farmers' cooperative elevators. The Townley organization, so far as I know, has never marketed a bushel of grain.

Mr. MANSFIELD. I can only say, in answer to that, that I am talking now from my experience in Illinois. The Townley organization was down there securing membership. I don't suppose it was a marketing organization, but they were making converts in the State.

Senator LADD. So were the Republican Party and the Democratic Party. That is a party issue. I am not going into that at all. I have nothing to do with that.

Mr. MANSFIELD. Be that as it may, the situation was this, that we were attacked, that we were responded not by any attempt to kill this organization, but an attempt to explain our position to our clients, a thing that we reasonably had a right to expect we could do and should do, and that is the work that this committee undertook.

Senator KEYES. Mr. Mansfield, in the resolution that we have before us we are asked to inquire into this meeting which was held in Cincinnati, and also to quote from the resolution, "to the efforts of business, commercial, or other organizations to defeat the cooperative marketing movement which the farmers of the country have instituted; also to inquire and ascertain whether the United States Grain Growers (Inc.) and the farmers' program for cooperative marketing are, or are not, in the public interest."

Now, you can not express any opinion or any knowledge that you may have as to any activities on the part of organizations to defeat cooperative marketing as such?

Mr. MANSFIELD. None whatever. The grain trade has a large percentage of its clientele, particularly at the primary points, such as St. Louis, Kansas City, Omaha, Chicago, Peoria, and the other western markets, a large clientele among the cooperative farmers' elevator companies, and their business is handled in exactly the same manner and method as the business from any other client, with the greatest degree of efficiency, and sales at the highest price to the highest bidder.

Mr. MALING. You seek that trade?

Mr. MANSFIELD. We seek that trade. We solicit it.

Mr. QUINN. I might say in further explanation of that, Senator, that in the State of Kansas there is an association called the Kansas Grain Dealers' Association, an organization of independent grain dealers, and that is one of the 12 State associations that is affiliated with the Grain Dealers' National. In the Kansas association there are nearly 200 farmers' cooperative associations holding membership, out of a total membership of about 500. Two-fifths of them are cooperatives.

Senator LADD. Do I understand that to be the association that Mr. Gustafson is connected with?

Mr. QUINN. No. This is in Kansas.

Mr. MANSFIELD. Now, might I make one further statement to the committee, because I think it will throw a good deal of light on this situation and show you the alignment in Illinois; and that holds true in the rest of the country. The signature to the United States Grain Growers' contract virtually sounded the death knell of the farmers' cooperative organizations in Illinois. The signature of the Grain Growers' contracts meant that all of these smaller cooperatives were out of business, and the farmers' cooperative organizations were as actively aligned with my committee in the work in Illinois and Indiana and Missouri as were the regular grain dealers, so called, of those various States, because our interests were identical, and I had very much active cooperation from those very men who are engaged in the cooperative marketing of grain up to the terminal market, so called.

Do you get my point, Senator?

Senator LADD. I get the point that you make.

Mr. MANSFIELD. Their interests and ours were identical, because it has made nothing but a rubber stamp out of the local elevator.

Senator LADD. I am wondering what, in your mind, constitutes a truly cooperative organization. What would you call a cooperative? Do they all give back a patronage dividend?

Mr. MANSFIELD. Yes; they do, but those organizations pay back a patronage dividend only on the business locally. They do not attempt to market in the big markets. The amount of capital required to perfect an organization of that kind has made it not a very attractive proposition to the man in the country.

That is, if he is satisfied that this organization there is handling his grain honestly. But if he gets the idea that they are not handling it honestly and his confidence is destroyed, then he has got to come into that situation.

Let me make this one point, and I will answer any other questions: Just before the United States Grain Growers' contract was offered for signature in Illinois I was a party to a conference of the biggest cooperative interests of the States of Illinois, looking to the organization of a company in the city of Chicago to handle a certain amount of that grain directly by them through that market to dispel any talk that their grain was not being honestly handled, to watch the manner in which it was being handled, and to benefit by the experience,

and this thing absolutely killed the possibility of that proposition, and it was abandoned.

Senator LADD. Certain Illinois cooperative farmers have told me at the hearing in Chicago that it was true that they were not able to put their products on to the terminal market, the cooperative organization only carrying it up to that point, because they were not permitted to hold a membership there, and they had to do business through a regular source if they gave back patronage dividends. What do you have to say about that?

Mr. MANSFIELD. As I said before, that is absolutely untrue. The only qualification necessary for membership is the proper financial responsibility and the agreement, as it is in any other organization, to abide by the rules that have been promulgated by that association.

Senator LADD. One of which is that you shall not pay back a patronage dividend?

Mr. MANSFIELD. No, sir. I beg your pardon. That is not a correct statement. Senator LADD. I know it was not in those words.

Senator LADD. But, Senator, there is a vast difference, because if we let down the bars for one you put a premium on the dishonesty of the other.

Senator LADD. Let me ask you this question again: If it is true that they could all become members, why was there such a continued and terrific fight in the State of Illinois, in which they were defeated, and why was it necessary to enact a national law permitting them to become members, and why was there such opposition to the law, if nothing was gained by it?

Mr. MANSFIELD. The opposition was not to that feature at all, Senator. The attack in Illinois was on the law. The attack in Illinois was an attempt to confiscate an interest in a going business and to give nothing in return for it, and to place that in the control of a body of men who knew nothing about the business; to confiscate the value of memberships and bring them down to a basis of \$250, and no financial responsibility.

Senator LADD. What is the purpose of the suit that is on to prevent the Secretary of Agriculture from putting in force the present law?

Mr. MANSFIELD. I could not answer that, because that suit was instituted by a body of men with whom I am not in sympathy, and the head of that organization I actively fought in his candidacy for president of the Chicago Board of Trade last week.

Senator LADD. One of the questions to be determined is that very question, is it not, of patronage dividends in cooperative associations? I have been so told.

Mr. QUINN. I wrote the brief, and that is one of about six objections.

Mr. MANSFIELD. That is one of them, Senator. Have you ever seen an organization where all those people in that organization were harmonious and had the same ideas?

Senator LADD. That would be heaven.

Mr. MANSFIELD. We have a division as distinct as any organization. We have what we call in our organization the live wires, who are looking out for the best interests of all. Then we have an element there who are always trying to be anti. I don't know but what they are Irish. I couldn't say about that. But anyhow they are against the Government always. And that is why this suit was instituted. Not in the name of the Chicago Board of Trade, but by a bunch of dissenters, and those were the very men who met us at Springfield and tried to put us out of business. That is the answer. This man Hill was the very man that we had facing us down there at Springfield, and his man Friday right back of his shoulder, pulling the strings, and the record of the Legislature of Illinois will show what Mr. Hill is, and all I have to do is to read it into your record here, and you can get it from the State files of Illinois.

Senator LADD. Mr. Hill is not a member of the grain association?

Mr. MANSFIELD. Mr. Hill is a member of the Chicago Board of Trade. He is the man who is putting forth this attempt to nullify your law. You ask me why he did it. I answer you that he is an anti.

Senator LADD. I wanted to get it for the record.

Mr. MANSFIELD. Yes, sir; well, I am not a bit afraid of that.

Senator KEYES. Is there anything more, Senator Ladd?

Senator LADD. I think that is all.

Mr. MANSFIELD. I thank you, gentlemen.

Senator KEYES. We will recess until 2 o'clock p. m.

(Thereupon, at 12:55 o'clock p. m., the committee recessed until 2 o'clock p. m.)

AFTER RECESS.

The committee reconvened at 2 o'clock p. m.

TESTIMONY OF MR. THOMAS T. HOYNE.

Senator KEYES. State your name.

Mr. HOYNE. Thomas T. Hoyne. Do you want my business and residence?

Senator KEYES. Yes.

Mr. HOYNE. Writer, Chicago.

I thought possibly the information which I could give which would be of most interest would be an explanation first of my connection with the committee of which Mr. Mansfield had charge.

I was employed by the grain dealers, by Mr. Mansfield, to assist him in an advisory way, and also to prepare certain matter for publicity in carrying on this campaign, and his instructions to me in laying out that work were that they were not carrying on any fight against the United States Grain Growers as an organization at all, but that this work was to be for self-protection of the association, and to try and familiarize the customers and members of that association with the true facts in this matter. Under that instruction the first work I took up for them was the analysis of the contract which was used by the United Grain Growers (Inc.), and I prepared a pamphlet which they made use of. In getting up this analysis of their contract I went over to the United States Grain Growers' offices in Chicago, and the man—I have forgotten his name now—in charge of their publicity department gave me what was their grain marketing plan of the committee of seventeen, revised June 20, 1921, and I asked him if that was practically their latest and contained the contracts which they were then making use of with the farmers, and he told me it was. Then I wrote this pamphlet. I may explain that I am also a lawyer, a member of the Illinois bar. Mr. Mansfield wished to have my opinion on the contract as a contract worthy of the consideration of any man who might be asked to sign it, and I pointed out to him what seemed to me some very iniquitous features in this contract to ask a farmer to sign.

To begin with, of course, as Senator Ladd has suggested, the by-laws, etc., of a corporation are of course a part of any contract. What seemed to me was the first great evil in this contract was that the contract that was presented to the farmer had a clause in it which embodied another contract, which he might or might not see, called an elevator contract.

All of these little excerpts of the contract which I read are taken from that pamphlet named "Marketing plan of the committee of seventeen, revised to June 20, 1921," that I have referred to, and which were at that time the contracts in use.

In the first paragraph of section 1 of the grain growers' contract, which is the one that is presented to the farmers to sign, there is the following:

"The elevator company agrees that it shall provide by ownership, lease, or otherwise, facilities for weighing, grading, storing, and marketing grain; that it shall receive and handle as hereinafter specified, or shall purchase at prices and upon such terms as are hereinafter set forth, all the grain hereinafter mentioned tendered to it by the grower in accordance herewith; that it shall market all said grain through the United States association according to the terms and conditions of the contract between the United States association and the elevator company, a copy of which is attached hereto and made a part hereof as though copied herein."

This is, the farmer, in signing this contract, makes part of it a contract between an elevator and the United States Grain Growers.

Now, in that elevator contract is section 8, which provides as follows:

"Upon that grain which is committed to the elevator company to be sold on the basis of a price to be determined from the net resale value thereof, less deductions for the cost of handling, the United States association, within its discretion, may make advance payments as market and financial conditions warrant, provided the elevator company shall fully protect the United States association against losses thereby."

The point that struck me first was that it provides "less deductions for the cost of handling."

In section 12 of that same contract it defines what the cost of handling is, and the section reads as follows:

"Deductions for the cost of handling: The proceeds from all sales of grain made by the United States association shall be paid by the purchasers thereof to the said United States association, which proceeds shall be blended into one general fund, and the United States association shall deduct from said proceeds such uniform amounts or percentages as shall be deemed necessary from time to time by the duly constituted officers or representatives of the United States association in order to meet all expenses properly chargeable to the handling of such grain; and also certain other deductions shall be made in order to provide special funds for carrying out the purposes of the United States association. The deductions stated in the preceding sentence shall be described in this and all related contracts as 'deductions for the cost of handling.'"

In other words, it seems to me that when a farmer agrees to allow the United States Grain Growers to handle his grain under this contract he agrees to allow them to charge him anything whatsoever they please for handling that grain. It becomes merely a matter of bookkeeping. It is all deductions for cost of handling.

Now, the way in which the contract was presented to the farmer—it seemed to me that he was given a wrong impression—that is, he was very apt to be deceived. He might deceive himself. But the announcements and the publicity of the United States Grain Growers carried the impression to the ordinary man that they would act merely as his agent. As a matter of fact the United States Grain Growers has no source of revenue except the \$10 apiece from every farmer who becomes a member, and there is no other way provided in which they are to raise any money whatsoever. There are no dues. Yet in their own literature they speak of handling practically eventually all the grain in this country. Now, the grain—wheat, corn, and oats—crop in 1921 would probably, roughly, be worth twenty-eight or twenty-nine hundred million dollars, and here you have a corporation attempting to do a billion-dollar business without five cents of capital.

Now, the thing that seemed to me was particularly the evil feature of all this contract is that the farmer loses all his right in his grain for a 5-year period, although he thinks he is signing a contract by which somebody is to act as his sales agent. In fact the grain becomes the capital of this cooperative organization to do business on—something that he probably does not contemplate.

Now, the way in which they expected to do this was through their subsidiary corporation, the Farmers' Finance Corporation, which was capitalized at \$100,000,000, and 21 shares of no par value stock, and that is so arranged that the preferred stock, so called, of \$100,000,000, was to be sold to the public generally. The 21 shares of no-value common stock were taken over by the United States Grain Growers (Inc.). The voting privilege lying in that stock was to be exercised by the 21 directors of the United States Grain Growers (Inc.). Now, as the securities commission of the State of Minnesota pointed out, this stock was not preferred. There was no preference about it whatever. Furthermore, while they might say that a member of the United States Grain Growers (Inc.) was directly represented if he also was a stockholder of the Farmers' Finance Corporation, he was represented in the handling of that not because he was a stockholder of the finance corporation, but because he was a member of the United States Grain Growers (Inc.) and if some of the finance corporation stock was sold to a man who was not a member of the United States Grain Growers (Inc.) he had no representation whatever. Nor was there any provision that would prevent the United States Grain Growers (Inc.) from turning over or selling these 21 shares of stock, taking away all control of this hundred million dollars; and the idea that a hundred million dollars should lie in the control of 21 shares of stock of no par value, which they sold, I think, for \$2,100, was so utterly ridiculous that it seemed to me that all this interlocking arrangement and corporation bore the marks of one of the most gigantic frauds that was ever attempted to be perpetrated in this country or anywhere else; and this was before the securities commission of Minnesota had taken this matter up. Since then they have pointed out all those things. The pamphlet then, which I wrote, and which was used as a piece of literature in this matter merely tried in a simple way to call the farmer's attention to this awful thing he was signing, and under no circumstances to sign it without at least consulting his own lawyer. And that, I think, would be called the keynote of the whole publicity campaign. It was to try to educate the farmer, and not to try to tell him what to do, but to tell him merely to exercise the greatest care.

I think that is all I have to say.

Senator KEYES. Would you tell us how much was paid in on this hundred million dollar corporation, if you know?

Mr. HOYNE. As I recall, in the securities commission report of Minnesota, which I think Mr. Mansfield is going to file a copy of with you, they say at that time it was \$13,900.

Senator KEYES. The pamphlet that you have referred to that was written by you, I think, was introduced by some previous witness. So, I think, it is in the record.

Mr. HOYNE. Yes; it is in, I understand.

Senator LADD. You say that you are a member of the Illinois bar?

Mr. HOYNE. Yes, sir.

Senator LADD. And a practicing lawyer, are you?

Mr. HOYNE. No, sir. I have practiced law, but I am not introducing the fact that I am a member of the Illinois bar with the idea of conveying to you that I am a practicing lawyer, but possibly with the idea that for that reason that I had practiced law I had the right to express an opinion that might have some consideration concerning a contract.

Senator LADD. If I understood you correctly, you said that in your circular or the original statement was found a statement that you put in with regard to the farmer? Does that agree with the final contract?

Mr. HOYNE. I beg pardon. I don't think I understand your question.

Senator LADD. A short time ago you stated that what you had quoted in this circular was taken from the original publication.

Mr. HOYNE. No, sir. What I wished to make clear was that it was taken from the latest publication up to the moment that this pamphlet was prepared.

Senator LADD. And that was this actual contract itself?

Mr. HOYNE. Yes, sir. Everything that is used in that pamphlet was taken from their latest publication up to that time, which I asked the man for, whose name I can find out. I can not recall it, but he was the man in charge of their department.

Senator LADD. The United States Grain Growers?

Mr. HOYNE. Yes, sir. I asked him if these contracts were correct; that is, if they had been revised since, and he said they were perfectly correct; that there might be a few typographical errors.

Senator LADD. You stated that you were a writer?

Mr. HOYNE. Yes, sir.

Senator LADD. For the Chicago Herald-Examiner?

Mr. HOYNE. Yes, sir.

Senator LADD. You were market reporter for them, were you not?

Mr. HOYNE. Yes, sir.

Senator LADD. And are you still a market reporter?

Mr. HOYNE. No, sir.

Senator LADD. If I understand correctly, you say you are engaged now with this Mansfield committee?

Mr. HOYNE. I was engaged for them; yes, sir.

Senator LADD. And are you in their employ at the present time?

Mr. HOYNE. I am not in their employ now; no, sir.

Senator LADD. You said that you went to the office of the United States Grain Growers and secured this information from them direct?

Mr. HOYNE. Yes, sir.

Senator LADD. And then you wrote this publication?

Mr. HOYNE. Yes, sir.

Senator LADD. And you wrote some articles for the Herald-Examiner also?

Mr. HOYNE. Yes, sir.

Senator LADD. Some of those I think have been filed. Did you consult with Mr. Mansfield after getting that information from the United States Grain Growers?

Mr. HOYNE. Oh, yes, sir. The way this came to be written was this: Mr. Mansfield was anxious to get what he would consider the most effective piece of literature concerning this contract, and I think that there were probably several others written by several other gentlemen, too, were there not?

Mr. QUINN. Yes.

Mr. HOYNE. So that they were all then submitted to this committee for them to select which one they should make use of.

Senator LADD. When did you discontinue your services or connection with the Herald-Examiner?

Mr. HOYNE. Oh, in September.

Senator LADD. Were there any discussions at that time in connection with the executive officers of the Herald-Examiner in regard to your attacks on the United States Grain Growers?

Mr. HOYNE. There was none with me, that I know of. I don't think there was any question but that there probably was all sorts of pressure brought to bear throughout the country from various farmers and other people, probably, on the grain growers' side. I have no doubt that such a thing happened. But there never was any discussion with me, and the whole line of articles printed in the Herald-Examiner were clearly laid out with the editor of the paper before a word of it was printed. I tried to show the editor of the paper that this was the most gigantic fraud that was ever thought of in the history of the world, and this whole scheme, no matter whether it was intentional in its conception—that there was such a thing, of course, is a very different thing—but the condition in which it was at the present time, it was disgraceful, and the question was purely, from the newspaper's standpoint, whether the newspaper or any paper had the courage to go out and show this thing up, because of country circulation, or whether they would all sit back and wait until every farmer all over the country was skinned and then come out and say, "This is a wonderful thing, just discovered." My attitude may have led, possibly, to my severing my connection with the paper, but there was no discussion of that at the time. That is, I would not wish you to think that my writing in the paper led to the paper taking the position that I should not write that stuff. I may explain to you that my situation with the paper was that I was in position to write precisely what I pleased concerning what I was writing about. I was supposed to be familiar with markets and supposed to be an expert on markets and supposed to know these things, and so my understanding with the paper, distinctly understood in the office, was that no man in the office had a right to change my copy; so that I would be solely responsible for anything that happened, the understanding being that, of course, if anything arose and they did not care for that sort of thing, I was to be at liberty to resign.

Senator LADD. I wanted to get that in the record, because there have been rumors, and I wanted you to have an opportunity to defend yourself.

Mr. HOYNE. If you will allow me to say something about the great many rumors in this thing, for instance, it is like the whole campaign that has been carried on by the United States Grain Growers. For instance, here is one statement that they made. Mr. Clarke made this statement at a meeting. I have a magazine in which it was printed. He made it in order to try to destroy what is pointed out in this pamphlet, what was pointed out in other things that I wrote. They did the usual thing. They attacked me personally. For instance, they have printed, and they have stated at these meetings, among other things, that I am a bankrupt. These are all matters of record. But it merely indicates the distance to which they go. That is not true, of course. That statement was made by Mr. Clark, who, I think, is one of the directors. I am not introducing that with the idea that it makes any difference in this matter, except that it indicates the character of the men conducting this matter, and the looseness of their talk, because any man knows that that is a matter of record. It is not even clever falsehood.

Senator LADD. I think all of us who attempt to do anything have to run against similar difficulties, but I want all of these things to be a matter of record and to be cleared up, so far as I am personally concerned.

Mr. HOYNE. Yes, sir.

Senator LADD. Now, what can you tell us with regard to the report of the raising of \$250,000, or the attempt to raise \$250,000, by the Grain Dealers National Association for the purpose of combatting the farmers' cooperative movement; first, particularly with regard to its use, to be used in connection with combatting the grain growers' association?

Mr. HOYNE. Well, all I can tell you about that—of course, I had no connection with this thing whatever until after the Cincinnati meeting, on Mr. Mansfield's return from Cincinnati, where he asked me to do some work in this matter. All I would know would be what any other employee might know, what I might gather myself, but there is nothing, I think—but he probably has all the figures and all that sort of thing. I know this, that I felt at the time—speaking now from merely a publicity angle—that I felt at the time they were

spreading that report constantly of a \$250,000 slush fund, from one end of the country to the other, as much as they could. This, of course, is merely a conclusion, but it is based on the type of newspapers it first appeared in, and the way it was used and used and used for weeks and weeks afterwards, with the idea of giving to the farmer the impression that these people were going a long ways and spending money like water to meet this grain growers' association and to do them some injury.

Senator LADD. The purpose was to carry on an educational campaign?

Mr. HOYNE. Yes, sir.

Senator LADD. And part of the educational campaign, as I understand the circular, was aimed directly at the grain growers' association, because you speak of them.

Mr. HOYNE. Yes, sir. But I would say, even about that pamphlet, that there is a little introduction in it that might apply to any cooperative association, in which the United States Grain Growers was not even mentioned; but when it came to a discussion of the contract itself, it naturally had to be specified in order to specifically point out the evils in that contract.

Senator LADD. I infer also from your statement and that of Mr. Mansfield that both you and Mr. Mansfield have considered the United States Grain Growers as a menace to the farmers?

Mr. HOYNE. As a menace?

Senator LADD. Yes.

Mr. HOYNE. I think so; yes, sir.

Senator LADD. I infer that from your statement.

This booklet that you have prepared was largely sent out by this Mansfield committee, so called, was it not?

Mr. HOYNE. Yes, sir. All of them, I think were sent out by that committee. Senator LADD. To whom were they sent?

Mr. HOYNE. I think they could, perhaps, among their figures, give that exactly. I should say that there were about 400,000 of them distributed, and I think 200,000 probably were sent directly to the farmers. Then I think they were distributed in packages to various places where there were meetings being held by farmers, and I think also they were probably sent in quantities in the same way to various of the other exchanges who might make use of them.

Senator LADD. I have heard the report that this was considered one of the most effective pieces of campaign literature of any literature that was gotten out at that time.

Mr. HOYNE. Why, I think so.

Senator LADD. At the time you wrote this you were in their employ?

Mr. HOYNE. Yes, sir.

Senator LADD. And therefore you were working for them in the preparation of this pamphlet?

Mr. HOYNE. Well, I might explain that that is where my employment would start, but that was done almost in a way in what you might call competition. That is, I would say that my employment was the result of that.

Senator LADD. I assume that the records of the Mansfield committee or of this association will show that you received your pay, your compensation direct from them?

Mr. HOYNE. Yes, sir.

Senator LADD. Have you written for them other books or pamphlets?

Mr. HOYNE. Well, I wrote a series of articles, the last one of which was printed the last week in December—a series of 12 articles on what you might call practical economics, and I don't think but in possibly one or two of those the grain growers' association was mentioned, but that series of articles was written with the idea of trying to make the farmer realize that there were certain misfortunes in business, brought on possibly by very disturbing conditions, such as the war, which are inevitable economically, and that there is no legislation, there is no way in which the passage of a law can instantly stabilize the prices and make values.

Senator LADD. Is that a series that you have published in a booklet and had copyrighted, or was that some other series?

Mr. HOYNE. Oh, yes.

Senator LADD. You have had that series copyrighted, and did you write circulars and posters?

Mr. HOYNE. I think I wrote one or two advertisements, or several advertisements, I think, and I wrote or got up one of their posters for them and—well, a

number of things of that kind, lesser things that I don't recall just offhand, but just the ordinary matter that might come up.

Senator LADD. Do you still write the market reports?

Mr. HOYNE, No, sir.

Senator LADD. You are not connected with that?

Mr. HOYNE. Oh, in connection with it. I just finished a book on the market situation. I wish to explain, if I may, in the series of articles that was written there had to be more or less of a trend toward explaining something about the markets, because an attack on it is always an attack on the exchange. The attempt seems to be to make the farmer believe that in some way there is some connection between the market and the farmer, which a few men who get together and call themselves an exchange can take away a lot of money that ought to go to the farmers, and naturally in that way I wrote a great deal about the markets and the market conditions, and so on.

Senator Ladd. I take it there is some speculation still on the exchanges?

Mr. HOYCE. Oh, yes, speculation. There must be speculation, and in connection with the very article I refer to I endeavored to show the economic purpose and the absolute necessity of speculation in any broad market. For example, if the speculating on the exchanges were to close to-morrow, no man in the country knows what his wheat is worth, and if you will consider that if you take a bushel of wheat and sell it for a hundred dollars, exactly the same value sold at a dozen different prices all over this city at the very same instant, but such a thing is never possible in a speculative market, and the prevention of such a thing in these commodities or securities the very nature of which makes constant exchange essential, the very prevention of that thing is the biggest function of speculation, because it is that difference between value and price that makes it possible for most of us to do business, and that is impossible if a man buys something for much less than it is worth, and that is impossible in a speculative market.

Senator LADD. Then there is also what is known as the legitimate hedging, I suppose?

Mr. HOYNE. Legitimate hedging?

Senator LADD, Yes.

Mr. HOYSE. Well, I think, of course, all hedging is legitimate. I think every transaction that is made in a speculative market is legitimate from the standpoint of the market and the standpoint of speculation. There might be a man who himself makes a trade in a market, but he himself regards that he is doing no more, possibly, than trying to make a little money in an easy way. But such a man almost invariably suffers.

The evil in the campaign carried on against exchanges and against grain marketing and against speculation is the idea they try to put into the farmer's mind that speculators all win. There is nothing more foolish. That is the experience of mankind. Those speculators generally all lose. Yet the farmer will not believe that.

Senator Ladd. About 95 per cent of them fail, do they not, sooner or later?

Mr. HOYNE. Almost invariably.

Senator LADD. Does the other 5 per cent nearly always go through without failing?

MR. HOYNE. Well, I think it is very questionable. Most of the other 5 per cent. no one would dare say, I think, until after they die.

Senator Lapp. Have you ever speculated on the market?

Mr. HOYNE. Oh, yes.

Senator LADD. I suppose you have been one of the successful?

Mr. HOYNE. Just as successful as most people. But it is the human failing of every man that he believes he is the exception. That is why there will always be speculating and will always be speculative markets to perform a very necessary function; and I think you might regard it that the loss of the speculators is part of the expense of progress, that is all, as it may be in any other business. But the big feature of the grain market is not speculation at all, but is the big distribution and the setting of the price and the handling of the grain, and the speculation is a mere incident to it.

Senator LADD. I just wanted to get your view on speculation. That is all I have.

TESTIMONY OF MR. S. LUCAS SEASS.

Senator KEYES. State your name, residence, and occupation.

Mr. SEASS, S. Lucas Seass; Sullivan, Ill.; farmer.

I became connected with this matter by virtue of the fact that I am a farmer. My attention was first called to this thing in regard to raising money—some funds. I belong to the Farm Bureau. They were trying to get farmers to secure money to float their plan on. That committee of seventeen had formulated their plan, had come to our county, and several of the farmers there belonged to the Farm Bureau, along with the county adviser, went out and got a lot of farmers. I don't know how many it was—to sign notes for two or three thousand dollars. I don't know how many of them came. I know they came to me and wanted me to put my name on the note to help them. I told them to get their grain on the pretext that the Board of Trade of Chicago was manipulating the market, and that they were fixing the price of grain, and that it was all against the farmer, and they were making millions of dollars off of the farmer and that it was the average. I did not so consider it. I took issue with them, and when they came through they had led a lot of representatives and a lot of farmers down here to believe that the whole country—every farmer to a man—had made that statement, and that the whole cooperative-marketing plan, which I knew was not true. To ascertain the facts, I got in my car and went out and interviewed about a hundred farmers, and the percentage was about 40 to 40. That was about the way they ran. Out of a hundred interviewed 103 or 104—there were about 23 or 24 that did not care. As they could not make any difference to them; conditions could not be any worse than they were, and they did not care and were not going to bother their heads about it.

“About 40 of them were for it and about 40 against it. I am one of them that is against it, from the fact that I have always been of the belief that the grain exchanges are of a great benefit to the farmer, from the fact that they furnish a continuous market. Any man who has ever raised any broom corn knows that he can see the economic function that the grain exchanges perform for the farmer. I know that you can take broomcorn—and we have no futures, we have no speculation, and you can buy and sell it at a profit. I know that you can take it to the market, who buy and hold it until the demand for it comes about—and you can not shelve it and raise a crop of broom corn and you will have it on your shelves or in your haling shed for possibly 18 months before you can realize any money on it. If the consumption demands it, the speculator takes up the slack, and you can sell it. If the consumption demands it, you can sell it, and you can ship your corn any day in the week. There is always a ready market for it, and for that reason I have felt that if they had a better scheme, before we should try to stop the grain exchanges from functioning by any legislation we had had better let them go on in operation that would assure us a market where we could market our grain. I am not a farmer, but I am one of the broom-corn farmers, and I am in the same condition in the grain market that you are in the broom-corn market. We would be in bad shape to pay our taxes and the interest on our mortgages. That is why my work was done. For that reason, in order to protect the market and to protect myself I went out and solicited and interviewed the farmers and found out where they stood on the question. I knew where I stood on the question.”

Then, after I went down to Springfield and the fight on the Lantz bill was practically over, I addressed the legislature down there. I concluded to address called to farmers' meetings over the country. They wanted me to come down here because I was not prejudiced against them, and I was not prejudiced against the Grain Growers at all, but because I am for any scheme that will make me more of a farmer, productively, but I can not see how they could control prices, because the idea of joint production, how they could control prices, because my idea of controlling prices of any product is by either one of two methods—that is, by either limiting production or by increasing production up to the point where it absorbs production. If you could do that you could control prices, but for men to come out and tell me and other men that the grain exchanges are wrong, that the law of supply and demand is operative, until they make the law of supply and demand inoperative, I could not stand for it and I could not figure out how to get them to stop. I would like to see buyers to take charge of my grain. That did not appeal to me at all, and I could not see how I could need for all my capital on the farm. Consequently, I would not sign the note.

Then after I went out to different places and saw the argument that they put out to the farmer to lead him to believe that they could do it—they did not appeal to his logic or his reasoning, but they simply appealed to his prejudices—and they led him to believe that every member of the board of trade, including

1,600 or 1,700 members, made \$23,000 apiece out of the farmer, and 51,000 families were supported by the grain exchanges, and the farmer paid all of that, and they sold fifty-six times as much grain as there was in the market, and by selling the grain, hedging in the market, selling futures, they had reduced the price, made it lower, which, of course, I didn't agree with at all. Now, there were a lot of farmers all over the country that didn't believe that either. But they used strong-arm methods along in certain farming communities; they even threatened to boycott fellows that would not come into their organization by not helping them thrash. That did not suit me. Consequently, I did not hesitate to say so, and I don't hesitate to say so yet. I can not agree with the class of argument that some of their speakers that I have met put up. One of them is a Mr. Clarke. Another is Mr. McCarroll. Another is Mr. Cummings. Mr. McCarroll attacked the Federal reserve bank and went so far in a speech in Sullivan before the farmers' institute on the 18th day of January that he said the board of trade absolutely controlled the Federal reserve bank, and the farmers could not get any money out of it, and it was time for the farmers to get into their own organization and take control away from them so the speculators of the board of trade could not control the Federal reserve bank, so he could get some of the money of the speculators. That is the line of argument that Mr. McCarroll put up. I debated the question with him at Fairdale.

Senator LADD. They must have been reading the Congressional Record.

Mr. SEASS. Well, I don't know what they have been reading, but that is the line of argument they put up.

Another thing they said, or another argument they put up to the farmer, was that they spread false market reports. That is, the board of trade did. All the speakers that I have heard anything from—Mr. Cummings, Mr. McCarroll, and Mr. Clarke, and one or two more that I don't remember; I don't know their names now, but I have heard them several times—put up the argument that they went out and spread false market reports in order to lower the price. Of course, I am of the opinion that the speculator, if he buys grain, speculates in grain itself; his business, when he buys it, is to boost the game instead of knocking the price down. If I wanted to buy horses I would not send out word that the horse market was cluttered, as long as I had the horses on hand, in order to try to deteriorate the prices, because I buy horses for a specific purpose, or cattle, or anything else—for selling them for more money than I pay for them. If I spread any kind of report, it seems to me, as a sensible business man I would want to spread the report that the things were scarce, because I have a supply of them to put on the market.

Senator LADD. But you are in the habit of dealing in horses, and you have horses to sell, you might spread that kind of report, but when you come to buy them you would forget all about that?

Mr. SEASS. No, sir.

Senator LADD. Don't the grain men do the same thing to depress the price?

Mr. SEASS. If all the grain speculators were on the same side they might.

Senator LADD. But when he is out for the purpose of buying is he not more likely to be spreading stories about that would depress the price?

Mr. SEASS. How about the fellow buying. A man couldn't sell unless he had a buyer.

Senator LADD. If, as the other gentleman said, 95 per cent of them are losers, naturally they must have been misled.

Mr. SEASS. Certainly.

Senator LADD. That is what I want you to bring out.

Mr. SEASS. The reason why most of the men are losers is because of their desire to hog the thing. I don't care how poor a man is, he is always ambitious to own something, if it is nothing more than an old dog. The minute he gets ownership of something or other, he can not rest until he gets back into the game, and on a falling market, nearly every time a man goes in with that natural inclination to own things, he owns it at the wrong time, consequently when he undertakes to sell it again the market has slid down, and he is loser. If he had the same discretion about selling the thing that he has about owning it, and could eliminate that thing in human nature which is a desire to own a thing, he would have equilibrium then in order to judge which is the best time to buy and which is the best time to sell. But, unless you change his nature, you can not get that away from him.

Now, another thing that I found they had done, and that is they had talked about merchandising. They held out to the farmer that he could merchandise his product the same as an oil company that pumps the oil out of the ground,

puts it in pipe lines, takes it to the refinery, refines it, and then puts it into a tank, ships it back over the country, and then into another wagon and it is ultimately distributed to the consumer. And that is what they have held out to the farmer that he could do in this cooperative institution, that he could merchandise this product absolutely from the producer to the ultimate consumer.

Senator LADD. They might get that idea from Denmark or Australia, either one, could they not?

Mr. SEASS. Yes; and then they might get it from Edward F. Bellamy. Bellamy was pretty fair-minded. Edward M. Bellamy, and this man Holton, of New York, is another.

Senator LADD. They are not dealing with grain.

Mr. SEASS. Well, they are dealing with those conditions. I do not care whether you market a product or whether you market wool or grain or not; if you merchandise it from the producer to the consumer, it is only one class of fellows that would handle it.

Senator LADD. If I understand you correctly, you were at Springfield at this meeting?

Mr. SEASS. Yes, sir.

Senator LADD. Were you one of those whose fare Mr. Mansfield paid up to Springfield?

Mr. SEASS. Yes, sir; but I didn't expect to have my car fare paid or anything when I went down to Springfield. I got that because they paid the other fellows. But I helped to pay some of the other fellows' car fare, I suppose, because I had contributed my share to the Farm Bureau, and they were down there on the other side against my will.

Senator LADD. Are you a producer of grain?

Mr. SEASS. Yes, sir; I am not a proxy farmer, either. I am absolutely a dirt farmer, and I plow corn and milk cows and everything of the kind.

Senator LADD. Are you a member of any cooperative organization?

Mr. SEASS. I am not a member of the U. S. G. G.; no, sir.

Senator LADD. Nor of the cooperative elevators?

Mr. SEASS. No, sir; I tried to organize one in our town; that is, a joint stock company, on a cooperative basis.

Senator LADD. On a cooperative basis?

Mr. SEASS. You can distinguish, of course—that is, one kind of cooperative elevator would be that every man, whether he raised a thousand bushels of grain, or whether he raised ten, if he could go into an organization, or a man who sold his grain, and hire a man to sell their grain, that would be one kind of cooperation. Another kind of cooperation would be where a lot of men banded themselves together for the purpose of selling their own grain, or selling any other fellow's grain that they wanted to. That is two kinds of cooperative organization.

Senator LADD. Are you a member of the chamber of commerce or board of trade?

Mr. SEASS. No, sir; I am not. I never bought a bushel or sold a bushel on the board of trade in my life. I raise corn and hogs and 120 or 125 Holstein cows, and I sell some grain most every year, and I used to raise broom corn, but I quit it from the very fact that you could not tell what broom corn was worth until there was an actual demand for it. If you put the exchanges in a position where they could not function, we would be in exactly the same position, and it would create the same condition in the grain market that already now exists in the wool market, in the tobacco market, in the broom-corn market.

Senator LADD. Have you ever been in the service or employ of James E. Bennett & Co., of Chicago?

Mr. SEASS. No, sir.

Senator LADD. I have heard it stated that you made a remark at one time that you were; that you received compensation from them.

Mr. SEASS. No, sir.

Senator LADD. Are you identified with any other grain company?

Mr. SEASS. The only man that I have ever been identified with, after I had gone out to several meetings and addressed farmers' meetings, then this National Grain Dealers' Association asked me on several occasions to go out and talk to the farmers where they had meetings, where there was a call for men to talk, and after that I received \$25 and my expenses, and sometimes the grain dealers paid me, and sometimes the farmers or somebody else paid me.

Senator LADD. You say somebody else. Who is the somebody else?

Mr. SEASS. What I am talking about; I mean somebody else besides the—

Senator LADD. Besides the national association?

Mr. SEASS. Yes, sir. Down at Richfield one of the grain dealers down there—I don't remember just what it was, but I turned them in when I got as a credit. That was the arrangement. But it would not have made any difference to me, so far as that is concerned, because I was out to protect my market. I don't want that market destroyed or disturbed until they have established a market that proves to be better, and then in that event that they could establish or create a market that would be better and handle the grain more successfully at the terminal market than our present competitive marketing system. I could not see any necessity of trying to go out and get legislation to stop them.

Senator LADD. My purpose in asking this question is that the other side makes those statements, and I want you to clear it up before you get away.

Mr. SEASS. Made which statement?

Senator LADD. They say you were in the service of Bennett & Co.

Mr. SEASS. I never made that statement. I never was in the service of Bennett & Co. I don't even know Bennett & Co.

Senator LADD. You have always been a farmer?

Mr. SEASS. I have always been a farmer; yes, sir. I was born on a farm.

Senator LADD. I had your name connected with the turf—racing.

Mr. SEASS. Yes, sir; I have raised some good horses. I still do that.

Senator LADD. That is the way I have you connected up.

Mr. SEASS. The fact is that I don't want to see business destroyed. They have got a lot of politicians in Congress instead of statesmen. That is what is happening.

Senator LADD. You don't want to see those men there?

Mr. SEASS. I would like to see statesmen. It doesn't cut any ice with me, although I am a Republican and have always stood for Republican principles; but the fact is I would like to see statesmen in our Congress who have not got their ears to the ground.

Senator LADD. Then you do not approve of the legislation that was enacted by the former Congress in the way of control of the grain exchanges?

Mr. SEASS. If you ask me an individual question, if you show me any legislation that was ever enacted that was any protection to the farmer, it is something that I would be mighty glad to see.

Senator LADD. What was the purpose of establishing grain grades; that is, National and State inspection in Minnesota and in the United States?

Mr. SEASS. That has been a marvelous thing, but it did not come about, and I do not believe that many of these things have come about from the politician. I believe that those things were culminated or evolved up to the point where they are to-day to have something done not only to protect it, but simply to prevent—take, for instance, the One hundred seventy-fourth Illinois, where the board of trade absolutely went out and bought the terminal elevators and fought them through the courts for about 40 years. I think, and finally got that decision keeping that market open. But it was not the legislation that did it. It was a fight created between the grain exchanges and the terminal elevator companies. That is exactly what happened. Finally, after they got their decision, the fellows woke up to the fact that they really needed something done, but the initiative was not taken by those fellows.

Senator LADD. It was not the farmers, then, who asked for grain grading and inspection?

Mr. SEASS. I don't know who asked for it. I can't answer that question yes or no.

Senator LADD. And the State laws of Minnesota and the National laws make no attempt to protect the farmer, do they?

Mr. SEASS. I don't think they necessarily protect the farmer any more than they protect business in general, and if they did protect the farmer against everybody else I think it would be absolutely wrong, because I am not in favor of class legislation in any instance.

Senator LADD. Neither am I.

Mr. SEASS. That is exactly the way I feel. I do not care whether it is the farmer or who it is. I don't want to see legislation for the farmer's benefit alone. It is just like a gambling proposition. You can gamble, but some fellow must lose if the other fellow wins. And when you go into class legislation in my judgment as a farmer, I have never had any such aspirations. But to go in for one class against the masses or against the other class is a thing that does not appeal to me as an American and a good citizen, even though it might be in my favor.

Another argument that the U. S. G. G. has created in the mind of the farmer, there doesn't seem to be any of those people, Mr. McCarroll, Mr. Clarke, or Mr. Cummings, able to distinguish between a gambler and a speculator. They call them all gamblers. Any man that does anything along the line of grain business is nothing more nor less than a gambler, on the same level with a crap shooter or poker player. That is exactly the view that they take of it, and they have got the farmer to believe it.

Another thing they have done. They have gone out and made the ministers of some towns honorary members, and the county newspaper—

Senator LADD. Honorary members of what?

Mr. SEASS. Of the Farm Bureau. The Farm Bureau is behind them. I am still a member of the Farm Bureau, because I think I can do more by remaining in it. I think I can do more in elevating it by staying in than by staying out.

Senator LADD. You mean the minister is made an honorary member of the Farm Bureau?

Mr. SEASS. They make them honorary members many times. I heard that statement made many times, I believe, up at—some town up in Hancock County.

Senator LADD. I don't doubt for a moment but there are cases in some of the States where they are permitted to become members, but it does not follow that they are not farmers.

Mr. SEASS. I understand that, but I don't know that they are full fledged members. I heard them referred to as honorary members. There might be some of them, as far as that is concerned, engaged in farming. But that is not likely. Possibly that would be true. But they have talked about the gamblers, the grain gamblers.

Senator LADD. You have referred to grain gamblers and grain speculators. Would you define grain gamblers and grain speculators so that the record will be clear on that?

Mr. SEASS. I do not know whether I can define a grain gambler or not. My definition would be the difference between a gambler and a speculator.

Senator LADD. I want the record cleared up. I would like to get your definition.

Mr. SEASS. A speculator is a man who has something upon which to base his calculations when he invests his money, and a gambler has not. He leaves it strictly to blind chance. In a gambling transaction one party to the transaction must lose or the other can not gain, and in a speculative transaction all parties can lose and all parties can win.

Senator LADD. How would a man in the grain business win if somebody did not lose? If one man makes in grain the other man loses.

Mr. SEASS. All right. Let us see how that is. Suppose I sell corn now, or buy corn. Suppose I buy at 50 cents a bushel and sell it at 40. It goes right on down, the bush, absolutely. I take my loss, and maybe go broke.

Senator LADD. How about the first man?

Mr. SEASS. The first man? But I might buy at 50 cents and sell for 40, then I have lost a cent a bushel. The next man does the same thing.

Senator LADD. The man that gets 50 cents might be making money, but you said the first would be losing.

Mr. QUINN. On a falling market that very often happens.

Mr. SEASS. That is true. But they can all make.

Senator LADD. They can all make?

Mr. SEASS. Yes, sir; they can all make if they get on the right side.

Senator LADD. Then the speculator is not interested in a rising market or falling market, but in a varying market?

Mr. SEASS. It depends on which side of the market he is on.

Senator LADD. A gambler would be the same?

Mr. SEASS. Yes, sir; but a speculator believes, from some evidence that he has got, that the movement is going to go one way or the other, and he bases his transaction on that, and either buys or sells, based on that theory.

I might say, in that connection, that I have been distributing, to show the farmer the fallacy of some of these arguments, Maj. Boyle's book on Economics and any other economic book that I could get hold of that was not prejudiced, and the only thing I was doing was trying to show the farmer where he was.

Senator KEYS. We will adjourn until 2 o'clock to-morrow.

(Whereupon at 3:15 o'clock p. m., the subcommittee adjourned until 2 p. m. Tuesday, January 31, 1922.)

INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING LEGISLATION FOR THE RELIEF OF AGRICULTURE.

WEDNESDAY, FEBRUARY 1, 1922.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY.
Washington, D. C.

The subcommittee met, pursuant to call, at 9.30 o'clock a. m., in room 112, Senate Office Building, Senator Henry W. Keyes presiding.
Present: Senators Keyes (chairman) and Ladd.
Senator Keyes. We are ready to proceed, gentlemen.
Senator Ladd. I would like to ask Mr. Mansfield a few questions.

TESTIMONY OF R. I. MANSFIELD—Resumed.

Senator LADD. Mr. Mansfield, in your statement, as I remember, you said very little was being done by the United States Grain Growers' Association in the way of securing membership in Illinois.

Mr. MANSFIELD. Yes, sir; at the present time.

Senator LADD. I have just received a report, up to January 29. This report states that they have a total membership in the United States of 41,577, of which 10,371 are farmers in Illinois; 135 farmer-owned elevators and 166 grain growers' associations in Illinois, which is the largest membership they have in any State.

They also state that for the past week ending January 29 their increased membership in Illinois headed all the other States, with an increase of 408. Iowa comes next, with 367, Nebraska, 256; Indiana, 252; Missouri, 190; Minnesota, 111.

I mention that so that you will have an opportunity to refute it if it is wrong.

Also I understood you to state that the cooperative associations were selling their grain through the chambers of commerce, and I asked specifically, if I recall, if that was true of the Equity, and you said it was—that they were selling their grain through the Chambers of Commerce of Minneapolis and Chicago.

Mr. MANSFIELD. I said through members of the Minneapolis exchange.

Senator LADD. Members? I misunderstood you.

I sent a telegram to the president of the company, and I just received this answer:

"Equity handled 3,008 carloads of grain St. Paul, and 3,045 at Superior-Duluth, calendar year 1921. Total, 8,500,000 bushels. None sold through the chamber of commerce. We sell direct to mills and other buyers, charging one commission."

Mr. MANSFIELD. If the Senator will give me the time, I will give you the evidence as to where the sales were made.

Senator LADD. I would be glad to have this cleared up for the record.

When you attended the meeting at Cincinnati, you were there as the representative of Bartlett, Frazier & Co., I take it?

Mr. MANSFIELD. No, sir. I was there partly because they were members of the association, and I had been asked to serve as one of the representatives of the Chicago Grain Market.

Senator LADD. You were still in their employ at that time? That is, you were with Bartlett, Frazier & Co.?

Mr. MANSFIELD. Yes, sir.

Senator LADD. How long have you been with Bartlett, Frazier & Co.?

Mr. MANSFIELD. About seven years.

Senator LADD. And as their floor manager?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Which is one of the prominent positions of employment in that company?

Mr. MANSFIELD. Yes, sir.

Senator LADD. What position did you take when you first went there?

Mr. MANSFIELD. That same position.

Senator LADD. So you are entirely familiar with the operations of the board of trade and grain exchange?

Mr. MANSFIELD. Yes.

Senator LADD. Mr. Hoyme stated that he was employed by the Mansfield committee, and that is correct?

Mr. MANSFIELD. Yes, sir.

Senator LADD. He also stated that he had prepared some circulars, including one entitled "Sign Here"?

Mr. MANSFIELD. Yes, sir.

Senator LADD. I assume that you approved that?

Mr. MANSFIELD. Yes, sir.

Senator LADD. That Mansfield committee—I infer from the statement made that thousands of those were generally sent out?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Mr. Hoyme states that the basis of that was the statements made in the Grain Growers' circulars of information, and that it was the basis of an attack upon them, because he considered the United States Grain Growers as a menace. Is that your idea?

Mr. MANSFIELD. Yes, sir.

Senator LADD. At the Cincinnati meeting, I infer from his statement and what you have stated that one of the purposes was for the purpose of considering ways and means of raising funds for carrying on this campaign?

Mr. MANSFIELD. Yes, sir.

Senator LADD. It has been stated that at that meeting they talked about an attempt to raise at least \$250,000 as a minimum necessary to carry on the campaign. Is that correct?

Mr. MANSFIELD. Yes.

Senator LADD. A portion, at least, of that money has been raised and has been used in the campaign, educational or propaganda—whatever you choose to call it—by the Mansfield committee?

Mr. MANSFIELD. Yes, sir.

Senator LADD. In order that we may have your definition, I would ask you if you will define what you call a regular elevator and what you call a cooperative elevator?

Mr. MANSFIELD. The regular elevator has come to have that definition because of the fact that for many years there were no other than individually owned or collectively owned houses. The regular elevator was one that was conducted by private enterprise. There came into the field farmers' organizations which, by joining their interests and building elevators, became what we called farmers' elevators or cooperative elevator companies. Those are scattered all over the Middle West.

Senator LADD. You would not necessarily say that a farmers' elevator was a cooperative elevator?

Mr. MANSFIELD. We consider a cooperative elevator one in which the earnings from that elevator are returned either to the participants or to the stockholders, who may be participants.

Mr. QUINN. Where the stockholders are patrons?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Farmers' elevators, on the other hand, may not necessarily be cooperative elevators?

Mr. MANSFIELD. No. There is a differentiation there. They have come to have a differentiation. They class, pretty generally, farmers' elevator companies as cooperative.

Senator LADD. The truly cooperative elevator pays its profits through what are called patronage dividends?

Mr. MANSFIELD. Yes, sir.

Senator LADD. And the others pay their profits to the stockholders as dividends. Is that correct?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Now, will you tell us, then, the difference, or will you define dividends and patronage dividends, so we will have the correct statement?

Mr. MANSFIELD. Dividends are paid on the stock holdings in the company. Patronage dividends are based on the amount of business which that individual passes through that company.

Senator LADD. Does your knowledge include the transactions of all classes of customers; that is, floor traders, city and country speculators, and speculations of members of your own company?

Mr. MANSFIELD. In a general way. I have enough to look after in my own business without trying to pose as an expert on that sort of thing. I have been a member of the exchange for 30 years, and know little of the matters which might have happened in the country and in the exchange.

Senator LADD. You have stated that you are interested and your firm is interested, Bartlett, Frazier & Co., in the welfare of the farmer, and also in cooperative associations, if I understood you correctly?

Mr. MANSFIELD. Not financially.

Senator LADD. I meant you are interested in their welfare.

Mr. MANSFIELD. Our interests are mutual; yes, sir.

Senator LADD. Will you state some instance in which either you or the firm with which you are identified has shown its direct interest in the farmers or in the farmers' cooperative movement?

Mr. MANSFIELD. That would be pretty difficult to say. I am speaking now in the broad, general sense of the handling of the business for our clients, and among those clients are member organizations that we call farmers' elevator companies and cooperative elevator companies.

Senator LADD. If I understand you correctly, you are, or once were, chairman of a special committee of the Grain Dealers' National Association, and it might be assumed that you are working under its authority and guidance?

Mr. MANSFIELD. Other than the Mansfield committee?

Senator LADD. Yes.

Mr. MANSFIELD. That is incorrect, sir.

Senator LADD. As the Mansfield committee, you have been?

Mr. MANSFIELD. As the Mansfield committee, we worked up to the time that the convention changed the form of the work and decided that the special conditions arising had been met, and the committee passed out of existence on the 1st day of January.

Senator LADD. Will you state who are the members of this national association?

Mr. MANSFIELD. I think Mr. Quinn is better qualified to do that than I am. Speaking generally, they are grain men in all lines of the grain trade throughout the country, East and West, North and South.

Senator LADD. You have had charge, until recently, of the Mansfield committee?

Mr. MANSFIELD. Yes, sir.

Senator LADD. How many firms or individuals were invited to attend the Cincinnati meeting?

Mr. MANSFIELD. I couldn't tell you that, sir. The call was issued by Mr. Quinn, and he would have to testify on that. I am not familiar with the details.

Senator LADD. What is the relation or relation between the grain dealers' association of the various States and the Grain Dealers' National Association?

Mr. QUINN. I can answer that.

Senator LADD. He was on the committee. I should think he would have some information.

Mr. MANSFIELD. I could not tell you.

Mr. QUINN. This committee was necessary for the particular work which was authorized by the national association.

Senator LADD. Well, I will come back to that.

What was the location in Chicago of the headquarters of the Mansfield committee?

Mr. MANSFIELD. 308 Western Union Building.

Senator LADD. At one time the cooperative companies were considered as regulars, were they not, Mr. Mansfield?

Mr. MANSFIELD. I could not answer that. Senator, except to say that I do not recall a time that we would consider them regular dealers. The independent dealers, such as you call retailers in a town, were the regular dealers and the men up and down the street who run their own business. So it was with the

regulars. To differentiate from the farmers' organization it became a trade term. The regular dealers were the individual firms that did business throughout the country. It was merely a differentiation. It carried nothing else with it. Senator LADD. How long has this national association been in existence?

Mr. MANSFIELD. Mr. Quinn will have to answer that.
Mr. QUINN. Since 1893.

Senator LADD. You have stated that in the past your company has been interested in the welfare of the farmers; also in the cooperative movement. How long has your company been in existence?

Mr. MANSFIELD. I could not tell you the date of the forming of the organization.

Senator LADD. Just roughly.

Mr. MANSFIELD. Roughly, I think they have been in existence something like 40 years.

Senator LADD. Mr. Frazer has been with this company during that time, has he?

Mr. MANSFIELD. I couldn't tell you that, sir.

Senator LADD. He has been for a considerable length of time?

Mr. MANSFIELD. Yes.

Senator LADD. For many years?

Mr. MANSFIELD. Yes.

Senator LADD. And as I read in the record from the Interstate Commerce Commission testimony taken from October 15 to November 23, 1906, in the matter of relations of common carriers to the grain trade, on page 109, Mr. Marble, who was an examiner of the Interstate Commerce Commission, speaking in regard to the making of prices and fixing of prices, etc., says:

"Mr. MARBLE. Where are those prices made up?

"Mr. FINNEY. They are sent out from Chicago here."

Mr. FINNEY was connected with Bartlett, Frazier & Co., was he not?

Mr. MANSFIELD. I couldn't tell you, sir. That was before my time.

Senator LADD. He so states here, and I understand that is correct.

"Mr. MARBLE. Agreed on here?

"Mr. FINNEY. Yes, sir.

"Mr. MARBLE. You help to make those prices?

"Mr. FINNEY. I suppose I do to an extent, but slightly.

"Mr. MARBLE. Who else helps you?

"Mr. FINNEY. Other firms on the board of trade—Bartlett, Frazier & Co., the Rogers Grain Co."

"Commissioner PROUTY. Where do you get the price you send out to your elevator?

"Mr. FINNEY. From those people I just mentioned. I do not make the price myself.

"Mr. MARBLE. You are a factor?

"Mr. FINNEY. I have had instructions to send out the price other people make. I get prices from them.

"Commissioner CLARK. Who do you get those instructions from?

"Mr. FINNEY. From the people that receive the prices.

"Commissioner PROUTY. You mean the people down in Illinois and Indiana?

"Mr. FINNEY. Yes, sir.

"Mr. MARBLE. Who personally gives you those instructions? What is the man's name?

"Mr. FINNEY. Well, there are different ones.

"Mr. MARBLE. Well, from Bartlett-Frazier & Carrington?

"Mr. FINNEY. Well, Wilson Henderson. He is one of them.

"Mr. MARBLE. He is from Bartlett-Frazier's?

"Mr. FINNEY. Yes, sir; he is one of them."

I read that in at this time, because when we come to Mr. Quinn I expect to ask some other questions bearing on that question.

You state that you know nothing yourself in this connection?

Mr. MANSFIELD. Nothing of my own knowledge; no, sir. I know what they are referring to. I can tell from the questions asked and the answers given where Mr. Finney talked about prices. He does not mean prices. He means the figures at which they want to buy that grain, are willing to pay, based on the market at the close of business on that day's postal card bids.

Senator LADD. I am familiar with that and will introduce some further statements in connection with it.

What is the Illinois Grain Dealers' Association?

Mr. MANSFIELD. A State organization that very largely functions as other organizations along that line; men in a similar line of business forming themselves into an organization to mutually become better acquainted, to further their best mutual interests, and to make a uniform basis of settlement of disputes between grain dealers of the same territory and all of that.

Senator LADD. Are they members of this national association?

Mr. QUINN. Affiliated.

Senator LADD. Affiliated?

Mr. QUINN. Yes.

Senator LADD. You mean by that that all of these are affiliated members?

Mr. QUINN. Yes, sir; they are all affiliated.

Senator LADD. In the same volume of testimony before the Interstate Commerce Commission I desire to have included the letter from the secretary's office of the Illinois Grain Dealers' Association. I will only read one paragraph from it, and will ask the stenographer to put the whole letter in the record.

Senator KEYES. On what page is that?

Senator LADD. Page 15.

(Senator Ladd thereupon read the second paragraph of the letter, the full letter being as follows:)

ILLINOIS GRAIN DEALERS' ASSOCIATION,
OFFICE OF SECRETARY,
Decatur, Ill., February 23, 1904.

To members:

Enclosed you will find the report of the advisory committee of the national association on terminal commissions at Memphis, Tenn. Please read it carefully. It should be of interest to every shipper of grain, whether he ships to Memphis or not. You will notice that in selling to Memphis firms you must depend entirely upon the facilities and responsibility of the firm to whom you sell. The letter from Secretary Greaves, of the merchants' exchange, shows the benefits to be derived from association work, and every dealer should give it their moral and financial support.

For your information I will state that a few receivers of grain are said to be soliciting business from irregular dealers, scoopers, and cooperative companies. We do not question their right to do this, but as such companies and combines are generally understood to be organized to eliminate the regular dealers (or so-called middlemen) persons who accept their business are supposed to be in sympathy with their views. If this is correct they can not be in sympathy with you or your business. You must be the judge of this yourself.

I give you below the names of parties supposed to be receiving such service: H. H. Carr, John West & Co., Lowell, Holt & Co., and M. E. Cook, Chicago, Ill.; Mills Bros. and Quinn & Co., Peoria, Ill.; Sufferin, Hunt & Co., Decatur, Ill.; J. W. Hastings Commission Co., New Orleans, La.; W. A. Randall & Co., Toledo, Ohio.

Yours, truly,

GEO. BEYER, Secretary.

Senator KEYES. What is the date of that?

Senator LADD. February 24, 1904.

I will try to connect it up.

That information would indicate, would it not, that the farmers of Illinois in the past might have had reason to be somewhat suspicious?

Mr. MANSFIELD. That speaks of irregular dealers and scoopers.

Senator LADD. That says "cooperative companies" also.

Mr. QUINN. That does not mean farmers' cooperatives.

Senator LADD. I will take that up with you later. I prefer to proceed with one witness at a time.

What have you to say?

Mr. MANSFIELD. Along what line, Senator?

Senator LADD. As to that statement of condemning the purchasing from scoopers and cooperative associations.

Mr. MANSFIELD. Well, 17 years ago there was a decided difference in the attitude of the trade from today. Men had their own ideas then as they have now. Any secretary or any organization might make a statement of that kind, which, at the present time, would look absolutely ridiculous in view of the progress made since then.

Senator LADD. Will you define on the record, for the use of the committee, what you mean by a scooper?

Mr. MANSFIELD. A scooper is a man who has no property investment or station where he operates, and buys his grain in wagonloads from the farmers, simply shoveling the grain from the wagon into the car, and when he has filled the car to capacity shipping it out.

The experience of the trade has been that the scoop-shovel man is a man, many times, of little or no financial standing, and we have found that it has been a very dangerous thing for the average farmer to do business with him.

Senator LADD. He is placed in the same category as cooperative associations—as a menace?

Mr. MANSFIELD. Well, I could not tell you the mind of the secretary that wrote that. All I can say to you, Senator, is this, that since the first days of cooperation, to the present time, as I said before, there has been a decided change in the attitude of the grain world on these problems. We have seen a number of things that have caused us, as reasonable men, to change our minds.

Senator LADD. That is exactly what I want to establish. You understand that I am not saying that the same conditions prevail to-day, but they prevailed then. I infer that you would not sanction or approve that statement?

Mr. MANSFIELD. I certainly would not.

Senator LADD. And on the other hand the buyers, large dealers, had also at that time made use of what was known as bucket shops which have also passed out of existence since then, have they not?

Mr. MANSFIELD. The grain business never made use of bucket shops, who was a gambler who was looking to get the sucker's money, and they simply let against the man who came into the office that they established and laid down the bet. The man in the office took the other side of it. There was no market function in the transaction, and there was nothing in the nature of delivery contemplated or expected.

Senator LADD. As they were carried on, however, these bucket shops were in the nature of wire houses or corresponded with the wire houses?

Mr. MANSFIELD. In some cases they secured their quotations by devious ways. They were not connected with the board of trade nor with the wire houses on the board, and as fast as they could be found out they were eliminated.

Senator LADD. Are wire houses connected with the board of trade?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Directly with the board of trade?

Mr. MANSFIELD. Yes, sir.

Senator LADD. And those wire houses may have been connected with these wire houses that had bucket shops?

Mr. MANSFIELD. No, sir.

Senator LADD. They did not conduct bucket shops?

Mr. MANSFIELD. No, sir; they did not.

Senator LADD. What is the function of a wire house?

Mr. MANSFIELD. A wire house is simply a firm that has the facilities of a private wire system, similar to what the United States Government uses in the conduct of its business throughout the country to-day.

Senator LADD. How many wire houses does Bartlett, Frazier & Co. maintain?

Mr. MANSFIELD. Just one—Bartlett, Frazier & Co.

Senator LADD. And how many branches have they?

Mr. MANSFIELD. They have 4 in Illinois and 10 or 12 scattered from Chicago to the seaboard.

Senator LADD. Any in the West?

Mr. MANSFIELD. Just at Kansas City and St. Louis. That is what we call west of Chicago.

Senator LADD. In the Northwest, then?

Mr. MANSFIELD. Northwest, we have an organization of Bartlett, Frazier & Co. in Minneapolis, which conducts the business in that territory. It is not the same as Bartlett, Frazier & Co. at Chicago, although it is a subsidiary organization.

Senator LADD. Both of those practices have been discouraged and you are eliminating them, I suppose?

Mr. MANSFIELD. The bucket shop has practically passed out of existence.

Senator LADD. What was instrumental in doing away with them?

Mr. MANSFIELD. The bucket shops?

Senator LADD. Yes.

Mr. MANSFIELD. The various directories that served at the time that they were prominent.

Senator LADD. One of the witnesses has stated that the principal members of the National Grain Dealers' Association were the old line elevators, the grain exchanges, and the millers; is that correct?

Mr. MANSFIELD. I could not answer that, because Mr. Quinn knows the details of all the memberships. He would have to answer that question for you.

Senator LADD. You maintain the farmers are misled, have been misled, and that the proposed systems of cooperative marketing are not in their interest?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Is it not somewhat strange that the system of cooperative marketing should continue to grow so rapidly?

Mr. MANSFIELD. Not considering the condition of the country, and particularly the position that the farmer finds himself in as the result of readjustment following the Great War.

Senator LADD. This growth was very largely before the Great War?

Mr. MANSFIELD. Well, the country was gradually working toward that frame of mind. It appeared in all other lines of business.

Senator LADD. I asked the United States Department of Agriculture to give me a statement as to the total number of cooperative organizations for marketing in this country. They gave me these figures as approximate—the list is not yet complete—16,000, and there are, according to their statements, 5,500 truly cooperative grain elevators in the United States. I may state, however, that they do not claim that these figures are correct or complete. They are compiling them and expect to have them complete. Also the distribution by States is given. The letter from the Department of Agriculture, giving this out for the use of the committee, I think, should go into the record.

(The letter referred to is here printed in full, as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF MARKETS AND CROP ESTIMATES,
Washington, January 23, 1922.

Hon. EDWIN F. LADD,
United States Senate, Washington, D. C.

DEAR SIR: In compliance with the telephone request from your office a day or two ago, I am very glad indeed to give you additional information regarding cooperative purchasing and market associations in the United States. From the most accurate figures available we estimate the total number as being 16,000.

From printed information furnished us by the States interested, the records show that the number of cooperative grain elevators in five States is as follows: Kansas, 616; North Dakota, 606; Iowa, 577; Illinois, 552; Nebraska, 465. From the best available figures we estimate the number of cooperative grain elevators in the entire country as 5,500.

We have made up the inclosed list of cooperative marketing associations of all kinds from records furnished us recently by certain State officials. Please understand that our records regarding cooperative marketing associations are incomplete. As I stated over the telephone, this bureau is now engaged in the compilation of a list of these associations, and we hope in a few months to be able to supply this information much more accurately than is possible at the present time.

Very truly, yours,

LOYD S. TENNY,
Assistant to the Chief.

| | | | |
|-------------|-------|---------------|-------|
| Alabama | 82 | Kentucky | 61 |
| Arizona | 37 | Louisiana | 36 |
| Arkansas | 235 | Maine | 303 |
| California | 336 | Maryland | 23 |
| Colorado | 273 | Massachusetts | 49 |
| Connecticut | 56 | Michigan | 500 |
| Delaware | 11 | Minnesota | 2,065 |
| Florida | 87 | Mississippi | 77 |
| Georgia | 120 | Missouri | 408 |
| Idaho | 54 | Montana | 218 |
| Illinois | 552 | Nebraska | 465 |
| Indiana | 280 | Nevada | 13 |
| Iowa | 1,124 | New Hampshire | 31 |
| Kansas | 1,064 | New Jersey | 26 |

| | | | |
|----------------|-------|---------------|--------|
| New Mexico | 46 | Tennessee | 87 |
| New York | 648 | Texas | 250 |
| North Carolina | 127 | Utah | 13 |
| North Dakota | 1,024 | Vermont | 48 |
| Ohio | 1,032 | Virginia | 149 |
| Oklahoma | 383 | Washington | 146 |
| Oregon | 98 | West Virginia | 20 |
| Pennsylvania | 252 | Wisconsin | 1,805 |
| Rhode Island | 5 | Wyoming | 20 |
| South Carolina | 45 | | |
| South Dakota | 631 | Total | 15,931 |

Senator LADD. I refer to the report of the Federal Trade Commission on the grain trade, volume 1, country grain marketing, to bring it up to date, as this report ends September 15, 1920, and is the latest available. I refer to this as I want it available for the committee, and I want to read one or two letters. This is a letter from the files of the Van Dusen-Harrington Co., and was written from Fessenden, N. Dak., and it says:

"I want to ask you as a special favor not to use letterheads as per the inclosed in writing to any of my former elevator accounts, as it has the same effect on them as shaking a red cloth at a bull, as there is an awful strong sentiment among the average farmer elevator companies against commission houses who own a large line of old line elevators and letterheads like this certainly advertise us in good shape along this line."

This was in 1917, when we had not gotten into the conditions that prevail to-day.

He goes on and says:

"Just to show you how a great many farmers' organizations feel about doing business with what they call old line firms, the farmers organized at Armadale, N. Dak. I did not waste any time in going to see them at all, as I was told just what they were, but they made arrangements early with Kellogg Commission Co., and threw them over when they learned they owned the Atlantic Elevator Co., and made arrangements with the Brown Grain Co., only to learn later on they were the St. Anthony and Dakota, and finally landed with McCarthy Bros., a strictly commission house.

"This crowd at Wimbledon are somewhat Equity inclined and the manager asked me to-day if Van Dusen-Harrington owned all of these lines of elevators. I put him off by telling him you were joint traffic manager for all of the above companies, but I could see he did not seem satisfied, and I know such letterheads as this should not be used in correspondence with our local shippers, and I hope your stenographer will be instructed thoroughly so that they will not use it especially when writing to Farmers' Elevator Co."

I cite this to show that the farmer at this time at least gained the idea that he was not receiving fair treatment, and that condition extended back, as shown by the report of the Interstate Commerce Commission, for at least 30 years.

Mr. MANSFIELD. We have gotten rid of all of our country elevator holdings, and have not had any for a number of years—since I have been with them.

Senator LADD. When the farmer elevator movement began in Illinois you were, I believe, operating on the Illinois Central Railroad. Were you not connected with them then?

Mr. MANSFIELD. I was not at that time when they began.

Senator LADD. That is, you had elevators in Illinois and elevators in Chicago, owned either directly by your company or by the leading officers and stockholders of your company?

Mr. MANSFIELD. That was before my connection with them.

Senator LADD. Is the Trans-Mississippi Grain Co. owned by Bartlett, Frazier & Co. or by their officers?

Mr. MANSFIELD. I could not answer that.

Senator LADD. Can you tell us whether they were members of the Iowa and Nebraska Grain Dealers' Association at the time the cooperative elevators were being listed by the grain dealers' association as irregular?

Mr. MANSFIELD. I could not answer that, sir. I know nothing about the Trans-Mississippi Grain Co., except what I may have heard about it in a casual way. I know nothing about that.

Senator LADD. Who is the president of Bartlett, Frazier & Co. to-day?

Mr. MANSFIELD. Mr. Frazier.

Senator LADD. How long has he been president?

Mr. MANSFIELD. I could not answer that.

Senator LADD. Who is Mr. Cowgill?

Mr. MANSFIELD. Mr. Cowgill is the vice president and acting manager. He has been connected with Bartlett, Frazier & Co. for many years, and has gradually risen from one position to the other until he has become the general manager.

Senator LADD. Was Mr. Cowgill not very active in years gone by in all movements in Kansas or Nebraska or elsewhere to stifle the growth and success of farmers' cooperative elevators?

Mr. MANSFIELD. I could not answer that; because I don't know a thing about it.

Senator LADD. Did you ever compile a book or statement of losses and gains of any particular class of customers?

Mr. MANSFIELD. Have I ever?

Senator LADD. Yes.

Mr. MANSFIELD. No, sir.

Senator LADD. Have you a statement as to the amount of gains and losses by the country customers, the country trade, who speculated through Bartlett, Frazier & Co.?

Mr. MANSFIELD. No, sir; I haven't.

Senator LADD. What are the duties or the office of a man commonly called a crop expert?

Mr. MANSFIELD. A crop expert is a man who has made a study of soil conditions, yields, and general handling methods of grain in a certain district, and for a period of years, and makes an attempt to estimate, based on the conditions which he finds in that territory, probable yields, just as the Department of Agriculture forecasts the same thing through its reports into the grain trade from month to month during the crop season.

Senator LADD. He does this for the firm for which he is employed?

Mr. MANSFIELD. Not always; but sometimes for a group of firms who employ him. My father-in-law is the dean of all the crop experts. He was employed by a number of interests for a great many years all over the country, giving his reports to those men. They were sent to them all at the same time.

Senator LADD. Does your firm employ a crop expert?

Mr. MANSFIELD. Yes, sir; a crop expert and statistician.

Senator LADD. Who is he?

Mr. MANSFIELD. Mr. B. W. Snow.

Senator LADD. Is his data published?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Where is it published?

Mr. MANSFIELD. At Chicago.

Senator LADD. In the papers?

Mr. MANSFIELD. It is released publicly as it is compiled and given to the trade in general, to the papers, to the grain world, and over the wires to all of the customers.

Senator LADD. He is considered an authority, is he not, both national and international, on this subject?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Is it not a fact that usually after those reports are published there follow large speculative orders?

Mr. MANSFIELD. On his reports?

Senator LADD. After these reports are published or given to the press?

Mr. MANSFIELD. I have seen times when the contents of the report, just as a Government report, carried a lot of trade with it. I have seen other times when it has absolutely never made a ripple on the surface, just as I have seen Government reports come out that were colorless and had no effect at all on conditions, because everybody knew that that was the situation.

Senator LADD. Is there anything in the rules of the exchange or in your contract with Mr. Snow that would prevent his using his information for speculative purposes himself?

Mr. MANSFIELD. I do not know anything about Mr. Snow's contract, Senator; and I don't think the exchange has anything to do with contracts entered into between individuals or firms and their employees, except as they might infringe on the rules of the exchange. For instance, a man who is actively engaged in securing business for the Chicago Board of Trade must be passed on

both as to character and responsibility before he is allowed to be taken by any firm.

Senator LADD. Is Mr. Snow a stockholder in your company?

Mr. MANSFIELD. I could not answer that.

Senator LADD. In compiling these reports, does Mr. Snow confer with you or with members of the company?

Mr. MANSFIELD. No, sir. Reports are never made public—the figures are never made obtainable in their entirety until the final footing of the report has been made.

Senator LADD. How often are these reports issued?

Mr. MANSFIELD. During the growing season about once a month. Very rarely is there a report, except on some special situation in the trade, in the winter-time often after every 60 or 90 days. Sometimes it is longer.

Senator LADD. How are these reports released? Under what condition are they released?

Mr. MANSFIELD. Mr. Snow makes up his report in his own office under the direction of Mr. Cowgill, and the report is made public simultaneously; that is, it is given to all people alike. The report is released on the wires at a certain time and released on the exchange floor at a certain time.

Senator LADD. Do other firms likewise employ men for the same purpose?

Mr. MANSFIELD. There are one or two.

Senator LADD. Are these reports released to the public—to the grain exchange—before the information is given to the firm?

Mr. MANSFIELD. Is it given to the firm first?

Senator LADD. Yes.

Mr. MANSFIELD. It is given to them at the same time that the public gets it.

Senator LADD. Who supervises this work?

Mr. MANSFIELD. May I explain to you, Senator?

Senator LADD. I want to get at the facts.

Mr. MANSFIELD. Here is the way the report is handled: The body of the report is gathered from correspondence all over the country, just as the Department of Agriculture gathers its reports. Those are all in percentages, and, taking the totals of the States, which are carried down to the foot of the page, they are carried over onto the final page, and that average computed by the ordinary processes of arithmetic. Now, when a report is imminent there is not anybody in the world could tell anything about those figures there until the total is made and the average computed. Consequently Mr. Cowgill and other members of the organization take particular care that there are no possible leaks, because we want to give the entire trade the same opportunity. As a result, when the figures are compiled and the totals made of the averages figured, the report is dictated in duplicate to the stenographers—one stenographer handles this altogether—and those copies are then given out at a certain time without anybody having seen them to the wires, to the exchange, to the newspapers, to the news agencies, and to all who wish them. That is the method of handling those reports.

Senator LADD. Do the members of the firm or the employees of the firm themselves speculate on the exchange?

Mr. MANSFIELD. No employees are allowed to speculate. I could not answer as to members of the firm.

Senator LADD. I asked if the employees and members of the firm speculated.

Mr. MANSFIELD. No employees are allowed to speculate, but I could not answer as to the members of the firm.

Senator LADD. Is it not true that members of the firm do speculate?

Mr. MANSFIELD. I can not answer you except in a general way. I do not think it is violating any confidence to say that most of the members of our firm practically do no speculating whatever.

Senator LADD. Is it not a fact that some of the members of the firm have been very large and successful speculators in the past?

Mr. MANSFIELD. Former members of the firm?

Senator LADD. You maintain that none of those do at present?

Mr. MANSFIELD. Not to my knowledge, sir, and I would know something about it if that was going on.

Senator LADD. If that were true it might be possible that with this information they receive or might receive in advance they would have an advantage, would they not?

Mr. MANSFIELD. If that were handled in any other way, it might be so, Senator, but I know it is not, because I happen to be the man who handles it

and gives it to the public under the direction of officers of that organization, and they are not allowed to see it, and it does not become public until it has been prepared, as I have stated, and released at a given time.

Senator LADD. You have said that the United States Grain Growers had attacked the grain trade and gave as an instance the efforts made by farmers at Springfield to have certain bills passed. Do you know positively that any members of the United States Grain Growers took part in that campaign?

Mr. MANSFIELD. Yes, sir; I do, Senator.

Senator LADD. Will you name those who did take part?

Mr. MANSFIELD. I would have to consult with the other members of the committee to give you those names, because I am very poor at remembering names, and I know of the people who were down there and who were actively engaged in this work. Mr. Gregory, of the Prairie Farmer, was very persistently active down there, and I think he has had a good deal to do with your movement—in the starting of it and helping it along.

Senator LADD. He is not a member. Yes; I guess he is a member of the United States Grain Growers. He was not a member of the committee of seventeen.

Mr. MANSFIELD. I can tell you this, Senator, there were two members of the committee of seventeen, or three, on the ground, and there were a number of lesser members identified with the movement.

Senator LADD. They were there as representatives, were they not, of the United States Grain Growers Association?

Mr. MANSFIELD. They did not say so. They said they represented the farmers of Illinois. All of these organizations, the S. A. A. the Equity, and all the others who were down there, did not appear in their own behalf. They represented the farmers, they claimed.

Senator LADD. Can you furnish the committee with a copy of the letter of invitation that went out calling the Cincinnati meeting?

Mr. MANSFIELD. I could not, because it was handled by Mr. Quinn from his office.

Mr. QUINN. That is right.

Senator LADD. Can you furnish the names of the individuals who were present at that meeting, and the firms or organizations that they represented?

Mr. MANSFIELD. I would have to refer you again to Mr. Quinn. Senator LADD. I am asking you because you have made statements in your testimony that would lead me to infer that you have the information.

Mr. MANSFIELD. Only in a general way, Senator.

Senator LADD. You have stated, however, that one of the purposes of that meeting was for the purpose of raising funds to carry on the campaign, to make arrangements for it.

Mr. MANSFIELD. Yes, sir.

Senator LADD. And that the minimum fund which you were seeking to raise was \$250,000?

Mr. MANSFIELD. That is under that plan; yes, sir.

Senator LADD. Can you or some one who is to speak furnish a list of the contributors?

Mr. MANSFIELD. Yes, sir.

Senator LADD. And the amounts of each contribution?

Mr. MANSFIELD. Yes, sir; we will give you the entire data on that.

Senator LADD. You stated, if I understood you correctly, referring again to the Springfield meeting, the committee had present 1,500 farmers that came in there?

Mr. MANSFIELD. 1,500 one week and 5,000 the next. The meeting had to be postponed.

Senator LADD. And that this committee paid the railroad fare and the meals of all those?

Mr. MANSFIELD. Not all of them; some of them came at their own expense. Senator LADD. How many of them?

Mr. MANSFIELD. I couldn't tell you the proportion.

Senator LADD. Inasmuch as you O. K'd them all and signed "Mans"—

Mr. MANSFIELD. I gave out meal tickets, Senator. I did not O. K. the expense accounts. The manner in which the matter was handled was this: That the grain dealers located at points in the country went through their district asking the larger farmers and more influential ones to assist in maintaining the present marketing system. Those men were able to get, in the busiest time of the farmer's life, right at corn-planting time, 1,500 men who did not favor

the abolishment of the present marketing system to come up there to Springfield. The legislature was having a very difficult time, because the organized campaign against us and for the Leuz bills resulted in a perfect deluge of callers on all of the members of the senate and the house. The minute that they would go back home they would besiege them, and that was actively carried on, so that our firms went into the country, and they talked with other men, and the farmers left their homes, came down to Springfield, and they were there the first week, expecting that action would be taken, but the senate and the house both postponed action for one week, so that we were obliged to again bring those same men and some more—its many more as we could get—back to Springfield to show that these men were not in favor of the abolishment of the market.

Senator LADD. They knew, however, that their necessary expenses were to be paid?

Mr. MANSFIELD. No; they did not, Senator. Pardon me for stating it that way, but many of them came down there without ever having been solicited to go down there. For instance, Mr. Millaney, of the Kankakee district, to whom I referred, came down there because he was fearful of his own interests suffering, and he is just a sample of a great many more who came down there and did not want any money. I know of a great many instances that have come to my attention where men never put in an expense account or asked for a cent, or railway fare. I think there were probably 400 or 500 farmers that drove in in their machines from the adjacent territory to Springfield, and those men, all they got was those meals that have been advertised from one end of the country to the other.

Senator LADD. How did they get the spirits that moved them?

Mr. MANSFIELD. The spirits that moved them?

Senator LADD. Yes, sir.

Mr. MANSFIELD. Not from me, sir. If they did not bring them with them, they would have to look a long while down in that territory.

Senator LADD. They didn't have to look very far, did they?

Mr. MANSFIELD. They did, sir.

Mr. QUINN. Illinois is dry.

Senator LADD. I noticed that when I went through.

Mr. MANSFIELD. There is a lot of corn grown in that territory, and it should not go to waste.

Senator LADD. I think considerable of it was used on that occasion.

Mr. MANSFIELD. I can say truthfully, Senator, that I did not see any drunkenness among our men. Now, I happen to be the man who gave out the meal tickets, directed them where they could get them, and how they could probably find better accommodations in one place than another, because of the crowd that were all going into the Leland Hotel.

I also arranged for a photograph to be taken of the farmers upon the capital steps. You must remember that if a man was under the influence of liquor down there that day it would show up very quickly, because, if you will recall the temperature down there, if you will recall the newspaper reports, it was a sizzler, and the temperature ran pretty close up to the 100 mark, and we all walked down the street right after lunch and up to the capital steps where the picture was taken, and most of those men came up there with a coat over their arms and feeling the effect of the heat. Now, I was out with that crowd there, and I was around the capital all day, and I didn't see any drunkenness. I know when a farmer gets off on a pleasure trip he is looking for something of that kind, and down there there is plenty of the rankest kind of stuff. I will admit that. I will tell you right now that you can find that all over the country.

Senator LADD. I had inferred, while I was considering this matter, that this was the work of the Mansfield committee, but I must be mistaken. The Mansfield committee was appointed at the meeting held in Cincinnati, and the meeting in Cincinnati was not held until after that date.

Mr. MANSFIELD. Oh, no. The Mansfield committee did not start to function until July 1, and this occurred in May and early June. I happened to be just one of the individual members of the organization that was down there at Springfield.

Senator LADD. Then who paid those men's meals?

Mr. MANSFIELD. The Chicago Board of Trade.

Senator LADD. And what was the source of the funds of the Chicago Board of Trade that was used for purposes of this kind?

Mr. MANSFIELD. The ordinary treasury.

Senator LADD. Is it not true that the Chicago Board of Trade took steps to raise a large amount of money to be used for educational campaign purposes? Mr. MANSFIELD. They took steps to raise money for that purpose?

Senator LADD. Yes.

Mr. MANSFIELD. I think you are mistaken, Senator. They have a department of promotion and publicity for which a regular sum is appropriated from the fund of the institution every year. Now, in connection with that they offer prizes for the finest corn grown, and they assist in the conduct of the live-stock show in Chicago, and a number of things of that kind that they are directly interested in and have been for years. That committee derives all of its funds from the regular treasury of the Chicago Board of Trade. Any excess funds that might be required might be raised by individual subscription, but I have never heard of it in the last two years.

Senator LADD. I have been told that they raised or started to raise a special fund of \$100,000 for advertising.

Mr. MANSFIELD. Well, sir, I happen to be a member of that committee at the present time, and for the total work of the committee for this year we have asked from the Chicago Board of Trade an appropriation of \$100,000 in the budget, but the \$100,000 asked for in the budget is very much like your appropriations down here. You generally shoot a little bit high of the mark, knowing that you are going to get a cut, and that is the reason why the figures were placed that way.

Senator LADD. From experience and observation that I have had, I would assume that \$10 would be an average of the expenses for each one of those men.

Mr. MANSFIELD. At Springfield?

Senator LADD. For a ticket, round trip, and their meals. If you had 5,000 there that would take \$50,000?

Mr. MANSFIELD. This money did not come from the promotional department, Senator.

Senator LADD. That is what I wanted to get at.

Mr. MANSFIELD. No; the promotional department did not handle this at all.

Senator LADD. That is what I asked.

Mr. MANSFIELD. It was handled directly by the officers of the Chicago Board of Trade, Mr. Griffin, the president, at that time being in the field, Mr. Cunningham, the second vice president, being there, the secretary having appeared at various times, and it was handled in the regular way, regular expense accounts turned in to that institution and placed on file. There is nothing at all secret about it, Senator. The expense was not as high as you might think. A large number of those farmers came by interurban and by machines.

Senator LADD. What reason can you give for the grain exchanges or certain well-defined interests on the exchanges taking such an active part in all farmer movements, such as that at Springfield, and the hearing here?

Mr. MANSFIELD. Well, Senator, I don't think that they are taking an active part. That is the complaint that some of us have with them. I think Mr. Hoyne can bear be out in this. For years the grain trade has never come out and cultivated the acquaintance of the lawmakers of this country as others have, and then when we were backed up against a wall and were to be shot at sunrise, we got down there to Springfield and we save our lives by the very narrow margin.

Senator LADD. You stated in your former testimony, if I recall, that the board of trade was a varied organization, made up of men some of whom were live wires and the others were the ants. Will you give the names of a few, a half dozen or more of such firms that represent the class that you referred to as live wires?

Mr. MANSFIELD. Why, I could not do that, Senator. You can take the active houses on the board. That will answer your question. The active houses, whose names are mentioned and whose reputations are established.

Senator LADD. Are those firms and the representatives from those firms known and recognized as progressives in the trade?

Mr. MANSFIELD. Yes, sir. We have an element that we call progressives, and we have another element that does not want any change made in existing conditions.

Senator LADD. How many of these firms or individuals connected with these firms operate or are connected with houses that operate a private wire system?

Mr. MANSFIELD. I could not answer that.

Senator LADD. How many of these are owners or operators of public or private elevators in Chicago?

Mr. MANSFIELD. I could not answer that either.

Senator LADD. Some of these firms are connected with both, are they not?

Mr. MANSFIELD. Oh, yes.

Senator LADD. Has there been, in the past few years, an increase or a decrease in the number of public elevators and the capacity of those elevators in Chicago?

Mr. MANSFIELD. I could not answer that. The records of the secretary's office of the Chicago Board of Trade would give you that information. I could secure it and file it with the committee, if you desire, giving the total number of public elevators, the total public elevator storage room then and now.

Senator LADD. I would be very glad to see that in the record.

Mr. MANSFIELD. What date is that, Senator?

Senator LADD. During the past 30 years. I want these figures showing the past 10 years, but there has been this increase, of course, for the past 30 years. Does your firm own or operate public terminal elevators?

Mr. MANSFIELD. Do we operate public or terminal elevators?

Senator LADD. Do you operate public terminal elevators?

Mr. MANSFIELD. We have a company in which—our elevator company in which there is a monetary interest of members of Bartlett, Frazier & Co., but the Bartlett, Frazier Co. does not run them.

Senator LADD. Has there ever been any attempts on the part of members of the Chicago Board of Trade to improve the elevator situation?

Mr. MANSFIELD. I think there has been a decided attempt. They have changed the rules governing the handling of the business, and, as Mr. Sears, on the witness stand the other day referred to, the board of trade fought the terminal-elevator interests and secured a decision making it impossible for a public warehouseman to deal in grain. He gave you the decision in which that was accomplished.

Senator LADD. There must have been some dissatisfaction. Will you tell us what the character of the dissatisfaction was which brought about those decisions?

Mr. MANSFIELD. Senator, when that happened I was a very young man, and I was not thinking much about these things. I could not answer from my own knowledge.

Senator LADD. In recent years.

Mr. MANSFIELD. In recent years I know of nothing, of no complaint, excepting the broad one that is always connected with the warehousing of anything; that the grain goes in does show some degree of deterioration, naturally, and that ordinarily the buyer prefers fresh country-run stuff, just as you and I prefer a fresh egg, rather than one that has been very carefully taken care of in storage over a number of months. And that is the only complaint that I know of. The conduct of the business has been satisfactory, and there have been no complaints that I have ever heard of.

Senator LADD. Has there ever been a petition by some of the board of trade membership to restrict somewhat the activities of wire houses; that is, to eliminate them from the small country towns?

Mr. MANSFIELD. Yes, sir; prejudiced interests, whose business has been seriously disrupted by the brokers handling business by private wire, attempted in the last year to show that the use of private wires so restricted the public wire, the public telegraph business, that it made a condition under which they could not do business. Now, I happen to be one of those who testified before that committee, and I happen to have heard testimony given which showed that 99 per cent of the private wires in the city of Chicago under no circumstances could be used for commercial purposes, because of the fact, which very few people understand, that they are not in reality private wires, but they are what is known in the telegraph and electrical world as phantom circuits. In other words, here is a telephone line that is being used by the American Telephone & Telegraph Co., and people are talking over it here and there and all over. Paralleling that is a phantom circuit, wireless, if you please, that electrically has been discovered, and those are in use in large degree in the conduct of this business; and where they do use the direct wire, it is not a commercial wire whatever. There is not 1 per cent of all the private wires out of Chicago that are taken from the purely commercial company that does business. The American Telephone & Telegraph Co. do not and would not lease their wires

for that purpose. In other words, during the daytime those private wires are in use by all the interests that have need to use them. The United States Government has discovered that they must have that sort of a system, and during the war it became a positive necessity, and they entered into the private-wire business, if you please. We in the grain trade have found the same thing. Now, the men who objected are the men who formerly handled this class of business over public wire or by direct telegraph means, if you please, and found the service very unsatisfactory and slow. Consequently, with the advent of the new system of handling business by private wire, these men began to see their business dwindling, and they are the men who were responsible for the attempt to eliminate private wires.

Now, Senator, I don't know whether you would be acquainted with the fact, that I think Mr. Quinn can testify, because I think he was down here at that time, that the private wires were essential according to the farmers themselves and the grain dealers in the country, because, if I recall right, you were flooded with a world of telegrams down here in legislative circles against the elimination of the private wire.

Senator LADD. Is it not the chief function of these branch houses of wire houses in the grain exchange to stimulate and encourage speculative dealings in grain, and the speculator's business is more sought after than the idea of dealing in cash grain, although they do accept cash grain business?

Mr. MANSFIELD. I can not answer for the wire house. I am in charge of our country offices, and we handle all the cash grain that we can by our hands on, and in some of the offices we handle cash grain almost exclusively, because there is so speculative trade in that district. That is particularly notable of the Pontiac territory.

Senator LADD. That does not answer the question in general. I am not referring to your house.

Mr. MANSFIELD. I told you, Senator, I could not answer except for our offices, where we do a general business. We accept speculative trade; we handle all kinds of cash business; and we are a house that does any kind of grain business that can be done profitably.

Senator LADD. After the Cincinnati meeting, or at the Cincinnati meeting, were there reporters present?

Mr. MANSFIELD. The meeting was held in the Gibson House—

Mr. QUINN. In the Sinton Hotel.

Mr. MANSFIELD. In the Sinton Hotel, on the ground floor, in a large dining room, I think, right off of the lobby, open on all sides, and there were no restrictions. Anybody could have walked in and sat down and listened to everything that went on. There was no secrecy about it whatever.

Senator LADD. Were there reporters present, to your knowledge?

Mr. MANSFIELD. Not to my knowledge, sir. I could not tell you, because I did not talk with any of them.

Mr. QUINN. There were, as a matter of fact. We gave out notice to the reporters that we were holding a meeting.

Senator LADD. And they were present at that meeting?

Mr. QUINN. Yes, sir; they were present.

Senator LADD. Is it true that some of the exchanges who were to subscribe at the Cincinnati meeting afterwards decided they would not contribute or participate in the work, on the ground that they would conduct a so-called educational program among the farmers of their own?

Mr. MANSFIELD. That was the report that was sent out from Minneapolis under misapprehension. I paid a visit to the Minneapolis office and talked to their officers, and at the conclusion of my talk they appropriated the money that was agreed upon and participated in the work.

Senator LADD. Does this \$65,000 which you spoke of yesterday which has been collected include the contributions and expenditures of all kinds?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Is it not true that other money which might have been turned over to your committee to go toward the minimum amount of \$250,000 has since been used by some of the grain exchanges to do the same kind of work in their own territory that you have been doing from Chicago?

Mr. MANSFIELD. No, sir; it is not true. All the money that I know anything about is the money that was collected through this, and all of the exchanges that I know anything about, with the exception of Duluth, which was not in position to do anything, joined in the work, and it was carried forward in that way. They have always conducted their own supervision of promotion.

None of the exchanges have given that up. St. Louis has always had a man in recent years who is responsible for that—is chairman of the committee—and it is true of Kansas City and Omaha and of Minneapolis and of Chicago. Mr. Lamy has been in active charge of our publicity for a number of years.

Senator LADD. It has been stated that you were probably selected or chosen to conduct this work against the United States Grain Growers and the farmers' cooperative movement in general because your firm has always been an opponent of activities on the part of the farmers to better their marketing conditions, beginning with Mr. Cowgill's activities in the Middle West many years ago.

Mr. MANSFIELD. I absolutely want to place a decided negative answer to that in the record and say that there is not a word of truth in it. My firm did not have a word to say to me as to what I should do or should not do. As a member of the Chicago Board of Trade Mr. Griffin appointed me upon that committee and I was chosen down there solely and wholly because I happened to have a little more positive knowledge of conditions than some of the others.

Senator LADD. Mr. Cowgill has the reputation, according to reports to which I refer, of having been very active in the Middle West against all these movements.

Mr. MANSFIELD. Mr. Cowgill knew nothing about this. Mr. Cowgill did not even know that I was going to Chicago, and Mr. Cowgill nor any member of Bartlett, Frazier & Co. had any knowledge of it; and when I came back I discussed the matter with them for the first time after I had been asked to serve as chairman, and at that time they did not make any statement to me at all as to what I should not do or should do except, "If you think that the work is important it will be all right with us." But later on, when the burden of this thing became great and my absence from Chicago practically the entire summer began to show with them, then they became very anxious that I be released from that work and return to assist them in the conduct of their business. Now, that was the attitude of my house, pure and simple. As for Mr. Cowgill's attitude, I can not speak for Mr. Cowgill, but I know him just as intimately as I know my own brother and I do not consider that there is a finer gentleman and more honorable business man and a man of greater integrity than Mr. Frank Cowgill.

Senator LADD. I simply want to get into the record your statement.

I understood you to say that the board of trade was not seeking to have the Capper-Tincher bill declared unconstitutional, but that the movement was instituted by a group of members of the board of trade and not by the board of trade itself. Did I understand you correctly?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Is it not a fact that a subscription is being taken up among members of the board of trade in general, both grain receivers, dealers, traders, warehouses, etc., to pay Mr. Robbins, the attorney who is handling the matter?

Mr. MANSFIELD. I understand that some of the members who took this action are trying to reimburse themselves by securing the necessary funds to reimburse the contemplated outlay for this, but I know positively of a number of houses and individuals that would not give a dime to the thing.

Senator LADD. Is it not also a fact that when members are approached to contribute to the fund the persuading argument used is that they have got to try and keep the cooperatives from being members of the exchanges or their—the present exchange dealers—business will be ruined? From this it would seem that there is strong feeling against the cooperatives although you say you are not adverse to such cooperative movements. Is that correct?

Mr. MANSFIELD. It is not correct, Senator. I have been on the Chicago Board of Trade every day when I have been in Chicago for the last 10 years and I can truthfully say that I have never heard anyone make a statement of that kind or talk in that way. We have been very fearful of the evident trend of things in the business world and the very marked change in the attitude of the country, and we are not alone in that. Other business is equally fearful. That condition and not the cooperatives is responsible for this condition. We believe the one fatal thing at Springfield was that we had not gone out and talked to the farmers, face to face, and met them, and we are trying to do that in an honest effort to show him just exactly what we do for him and to let him know that we appreciate the business that he turns us.

Senator LADD. I am informed that it is a matter of common current report in and about the exchange or at Chicago that Mr. Robbins is to receive \$30,000 if he wins the suit on the Capper-Tincher bill and \$20,000 if he loses it. Is that correct?

Mr. MANSFIELD. I could not tell you, Senator, because the people who are trying to put this thing over in Chicago are not friends of mine and they have not given me the benefit of their knowledge of things. In other words, I am dead against it.

Senator LADD. Dead against the bill?

Mr. MANSFIELD. No. I am dead against the movement to try and defeat this bill, and I think that it ought not to be. That is my attitude.

Senator LADD. Is your firm of the same opinion?

Mr. MANSFIELD. Yes, sir. They are one of the firms who refused to contribute to this fund.

Senator LADD. You referred to Mr. John Hill the other day—

Mr. MANSFIELD. Yes, sir.

Senator LADD. (continuing). And said you had worked to defeat his candidacy for president of the board of trade?

Mr. MANSFIELD. Yes, sir.

Senator LADD. Is that correct?

Mr. MANSFIELD. Yes, sir.

Senator LADD. I understood that Mr. Hill was one of those who performed a great service years ago for the Chicago Board of Trade in a fight to drive out all the hook and shovel men in Chicago, in which campaign he was successful, and for his work in this connection he received the praise of the board at that time?

Mr. MANSFIELD. Yes, sir. He received not only the praise, but a stipend that was agreed upon, and he simply acted at the direction of the committee who hired him and told him what to do.

Senator LADD. It is not a fact that he has consistently opposed the activities of certain grain-exchange houses, more especially the wire houses and the elevators, both of which activities are engaged in by your firm?

Mr. MANSFIELD. No, sir; that is not true. Mr. Hill made no attack upon the wire houses until the members of my committee—the committee that was down there in the front-line trenches at Springfield fighting the battles of the organization when he came out in a pamphlet attacking us from the rear; and for that I can not thank Mr. Hill.

Senator LADD. As indicating that the farmers seemed to have reason for feeling that they were not receiving a fair return for their wheat, in addition to the statement in the report of the Interstate Commerce Commission, I refer to the report of the chief inspector of grains for Minnesota. This is for the period beginning September 1, 1910, to August 31, 1912. One of the facts that they point to is this: That they received of No. 1 northern wheat 15,571,555 bushels and were able to sell 19,978,777 bushels; that there was rejected wheat received 1,075,513 bushels, but that they only sold 621,773 bushels, and of wheat that they classed as low grade they received 4,635,567 bushels and only sold out of the elevators for that particular date, or for that period, 1,945,000 bushels—and that is referred to as one of the abuses of mixing; it enables the grain dealers to make large profits.

Mr. MANSFIELD. Are those the net figures, Senator?

Senator LADD. These are the net figures as given. I don't know whether I gave the amount of No. 1 hard. Did I give that?

Mr. MANSFIELD. I don't think so.

Senator LADD. Low grade No. 1 hard, 580,000 bushels; sold, 276,284 bushels. The total received during the period was 55,025,521 bushels. The amount shipped out actually was 52,409,554 bushels, and they had on hand 2,216,444 bushels of the various grades.

That is one of the things that they point to as evidence that they are not receiving at the hand of the elevators a fair return, and for that reason are struggling to secure better marketing conditions through cooperation. What statement do you care to make in connection with that?

Mr. MANSFIELD. I have no personal knowledge of the conditions of the Minneapolis market. All I know of is the Chicago market, and I have heard no complaint as to the conduct of the so-called public elevator business. The laws of Illinois may be entirely different from the laws of Minnesota. I am not prepared to speak of that, because I have no personal knowledge of it, but I do not know of any of these situations that you read about there that exist in our market.

Senator LADD. I have not the report with me at the time, but I have heard, however, of reports that happened in Chicago in handling the terminal markets. Mr. MANSFIELD. In recent years?

Senator LADD. Yes.

Mr. MANSFIELD. I know nothing at all about it, Senator, because there has been no complaint and no investigation so far as I am aware, and the business has been under public direction through the Illinois Warehouse Commission.

Senator LADD. Here is a letter taken from the report of the Federal Trade Commission, on page 266, written to the attorney general of North Dakota:

"When the farmers' elevator was started in our town."

This is not a cooperative elevator.

Senator KEYES. What is the date of that?

Senator LADD. September 16, 1919.

"I attempted to secure some stock in it but was informed that I was not a farmer, although I was having about 500 acres farmed to small grains each year. A lot of the grain raised on my land was hauled to this elevator and sold there by my tenants, and when the elevator came to make their annual settlement they declared a dividend reported to me by a stockholder of almost 100 per cent. It was very difficult for me to feel that I was getting a square deal out of the transaction, for, if they could declare me the full price for my grain, I have quoted they were certainly not paying me the full price for my grain. In consequence very little of my grain has gone to the farmers' elevator since. I feel that it is possible that there are two sides to the question."

I don't mean to say that elevator has made any such profit as that, but that is another indication that the farmers have felt that they were not getting a square deal, and that large dividends were declared on business transacted. I happen to know personally of some dividends that were declared from my official position. So that do you feel that the farmers have no just complaint on account of the conditions which have existed and which do exist?

Mr. MANSFIELD. I think that the farmer has cause for complaint from the fact that his product is selling below cost of production. That is a condition not brought about by the present marketing system, but by the dislocation of the entire world financially.

Now in regard to that elevator that made 100 per cent dividend; those people evidently filled their house with a lot of grain and did not hedge it, and stood on that stuff and carried it up and made their profits. I will venture to say that those same people have a deficit for the last year if they followed the same principle.

Senator LADD. Am I to infer from that that if they had hedged they would not have made any money?

Mr. MANSFIELD. If they had followed the ordinary business principles that the conduct of the grain business requires, they could not have made that sum of money.

Senator LADD. That would be an argument in opposition to hedging, would it not?

Mr. MANSFIELD. No, sir.

Senator LADD. I want to bring that out, because it might be inferred from your statement.

Mr. MANSFIELD. All right, sir. I will be very glad to remark on that.

A man who buys grain in the country has the opportunity of hedging that grain in any exchange that he desires. When he sells that hedge he takes a nominal profit on the grain that he bought. He places the hedge against the grain, and if that grain went down to 2 cents a bushel he would not lose a dollar, and if it went to \$2 a bushel he would not get anything more than the original margin of profit, a reasonable profit that he desired, and eliminates his risk, and that was the manner in which the grain business of this country was handled prior to the war. But when the war came along, what happened? Men were so obsessed with the idea that prices were going to go through the roof that they filled up their houses with grain unhedged, and in the end the Government, buying both here and abroad, carried those prices up and made enormous prices for the men who disregarded safe, sane, business principles.

Senator LADD. Well, how was it before the war came on?

Mr. MANSFIELD. Before the war came on, no grain dealer in this country would think of carrying any amount of grain unhedged overnight.

Senator LADD. There were large profits made on the part of the elevators?

Mr. MANSFIELD. No inordinate profits made by country elevators. Absolutely none.

Senator LADD. What would you call an inordinate profit?

Mr. MANSFIELD. I would call a profit in excess of 10 per cent net an inordinate profit.

Senator LADD. If they made 25 per cent to 40 per cent, then, the farmers would be justified in believing that they had not been fairly dealt with, would they not?

Mr. MANSFIELD. Now, Senator, let me just make this statement: In speaking of that I am speaking now of conditions prior to the war.

Senator LADD. That is what I refer to.

Mr. MANSFIELD. And that prior to the war they took a reasonable profit. Now, when the war came on, Mr. Hoover was asked to rule on the question as to what a reasonable profit was, and he refused to go on record as to what a reasonable profit was in the handling of grain, particularly wheat. Now, in the conduct of a small country elevator, if that man can earn the amount of 10 per cent without large risks he is more than satisfied. Larger houses, with better facilities, might be able to earn more than that, but the average small country elevator I am speaking of.

Senator LADD. That is all for the present.

TESTIMONY OF MR. JOHN B. MALING.

Senator KEYES. Give the reporter your full name, address, occupation, and for whom you appear, if for anybody?

Mr. MALING. John B. Malig, New Haven, Ind. Publisher.

Senator KEYES. Mr. Malig, will you proceed in your own way, giving the committee any information you have regarding the pending resolution?

Mr. MALING. Mr. Chairman, I am here to defend myself against the charge that I have been connected with the raising of the so-called slash fund and the manner of its expenditure.

Senator KEYES. That is the fund referred to in this resolution of \$250,000?

Mr. MALING. Inasmuch as I have been engaged with this committee in a limited manner, I desire to state to the committee the manner in which I became associated with it, and the work that I did.

I own and publish, among my other activities, a newspaper at New Haven, Ind., and in the midsession I read in the newspaper of an effort being made by the Grain Dealers National Association to combat the attack made upon the grain trade by the United Grain Growers. That is the essence of what I read in the paper. Recognizing the danger to the institutions in this country from this desire for class legislation and class movement, I have been actively engaged in fighting not farmers, not union labor men, but this desire to have the Government step in and correct all the evils that exist in a business way in this country. So I therefore sent to Mr. Quinn copies of a newspaper which contained a speech made before the Kiwanis Club of —, Ind., and I wrote to Mr. Quinn and said to him, "The fight that you are making, as appears in this paper, will not be effective, because without public support no great movement can succeed in this country, and the people are not interested in what happens to the grain dealer as such, they are not interested in what happens to the bankers or the brokers or any other individuals; they are interested in what happens to themselves." I went on to give him an outline of what I thought such a fight ought to be based on—on protection of the Government under the Constitution. He asked me to come to Toledo when it was convenient. I did so. My conference with Mr. Quinn led to a communication to Mr. Mansfield, and I went to Chicago. Mr. Mansfield then outlined to me, which I had not previously known, the particulars of this fight, whence it sprang and what was the matter in controversy and at issue, and I saw in that, just as I have seen in dozens of things in the last 10 years, the development of a class feeling, and what I considered to be a trick for this reason: If the farmers of this country can put the elevators out of business or the grain dealers out of business, through their cooperative associations, or their federations, or their unions, that is none of my business. But when the farmers of this country, through their equities and unions and leagues seek the aid of State legislation to enable them to put another branch of business out of business in this country it is my business to fight it just as it is if the others were trying to put the farmers out of business. It was to fight this legislation that I took part in that movement.

So I said to Mr. Mansfield, "The only thing I have got to say is what I want to say to the public, or to your own grain dealers not from your standpoint, but from my standpoint." After I had explained to him my theory, Mr. Mansfield said, "Mr. Maling, go ahead. I have got nothing to say to you except this: We are not making war upon the farmers. We are not making war upon the farmers' organizations. We are out in a fight to defend ourselves. The reputation of the trade for integrity and fair dealing we are defending against the assaults being made upon it by the men who are in the field talking to the farmers, who are our customers, but we in no way want you to assault any farm organization."

I went down East. Now, I didn't care then, and I don't care now, anything about the grain dealers as grain dealers, but I think I have been somewhat a student of conditions and development of these movements, and I said to Mr. Mansfield, "Mr. Mansfield, I am only entitled to go into this because I believe that the appeal being made today to people in sections and in different industries is resulting in legislation which in fact is breaking the fiber and fabric of this Government, and if it goes on for 25 years as it has been doing during the last 25 years, the people will destroy their own Government."

Now, I went East. I went to Baltimore; I went to Philadelphia; I went to Toledo and Buffalo to talk, not publicly, but to the grain men, regarding what the Mansfield committee was doing, and also as to what the attack was that was being made upon the grain dealers. I never in a single instance sought to influence the grain dealers that I talked to to take action against any cooperative organization or farmers organization, and I was amazed at the lack of knowledge and information in the grain trade of their own business and its relation to the public and in what manner it was being assaulted. I saw in not one instance in the different exchanges that I went to to talk to the members publicly—I mean publicly so far as the members were concerned; not in a back office—I remember in one instance I used the term "fight" in Philadelphia, and the gentleman said to me, "Mr. Maling, I don't like that term 'fight.' I like to feel that we are engaged in a campaign of education." So I modified my remark to that extent. I merely mention that as I pass along.

Now, why do I feel this way? I live in a little town of 1,500 people 80 miles west of Fort Wayne in the best farming section in the State of Indiana. I have had and do have a general knowledge of these farm movements, but I had never come in contact closely with one of them until a gentleman by the name of Garretson, of the State of Illinois, came into our section to organize the farmers in an equity. The appeals made to the farmers were not made to them as citizens of the United States. They were not made to them as men who were engaged in a business broad enough and big enough to take its part in the whole course of progress of this country, but it was made to them as men who were victims of the general business conditions of this country and general legislation of this country and to incite them to movement for class legislation.

I heard that gentleman say this: "We are going to have a grain dealers' equity in Fort Wayne; we are going to have a grain dealers' equity in Lima; and we are going to put these people who are paying high prices on Calhoun Street out of business, as we are going to put these people out of business here." And he said this: "I am informed—this was after the equity got going—'you people, when you have got corn to sell, go and ask the price of corn before you go to the equity, and I say 'shame on you.' If you have anything to buy, you go to the store to find out how much it costs before you go to the equity, and I say 'shame on you.' You go to the equity and you pay the price that they ask you for what you want to buy, and you sell your product for what they offer you, and don't you ask any man the price of it anywhere."

They finally got into a situation where they had to raise \$20,000. I was at the meeting. He said, "All you gentlemen who buy stock to-day in this equity we have made an arrangement whereby the interest or dividend will be paid on this stock before it is paid on any stock issued last year at the time this equity was organized."

So I said to him after it was over, "Do you tell me that you can sell stock to-day of an issue the same as that you sold last year of the same corporation, the same class, and you pay a dividend on that issue now and not pay a dividend on that which has been carried for a year, and that is a legal proposition? His exact remarks were: 'Hell, no. We know it is not, but this is a gentleman's agreement, and we are all brothers.'"

Now, I heard the other day in this testimony a reference to the fact that nobody knew how farmers got on the equity notes. I know in our country

there were 20 farmers on a bond for \$20,000 indebtedness to the Peoples' Bank. I know they were told how much the equity would make them, and I know to-day that those farmers, clean-cut men, are on that equity paper to the extent of \$20,000, secured by a joint bond that they have each one signed making them liable for every dollar they are worth for that \$20,000 indebtedness to the bank.

Now, gentlemen, I don't care about the grain dealers. I have been for 15 years acquainted with the elevator man in our town. The first thing, when the elevators were organized, they went to Mr. Wilson and they said to him, "We want this elevator." Mr. Wilson said, "I don't want to sell the elevator. This is my business. I am living here. I have my family here, and I have developed this business, and I don't want to part with it." "If you don't part with it we will build an elevator. We have three hundred and some odd members. We will build an elevator and leave you with your elevator. If you want, we will give you \$8,000 for it," for property that had been produced there for \$20,000. He parted with it.

I don't think that one single prediction made by the organizer as to what would result from this method of doing business has ever been realized, and they are in debt. I don't care anything about that, but there is arising or has arisen a feeling of antagonism, of suspicion, and of antipathy, one man toward another, until they have been made to believe that they are enemies. Now, gentlemen, that is a thing that I think is detrimental to this country, detrimental to business, and I think if you will multiply the instances of this case of New Haven by the scores of instances you will get a picture of what is going on in Indiana.

I do not hold up the grain men as being exemplary citizens in all their methods and manner of doing business. I have been out making this fight not for the grain men, but to try and call attention of the people to what I believe is the fact, because our people are breaking up into classes. Seventy per cent of the legislation going through the legislative bodies of America is class and special legislation forced through by organized minorities. Legislation for all the people is being lost sight of and class legislation is taking its place.

That, gentlemen, is why I was in this fight. I want to say, as far as my being connected with it is concerned—and I was only with this organization two months—never by any inference or reference have I heard of any attack being made upon the farmers as individuals, farming as an industry, or the cooperative or other farm organizations. I was told, and I know it to be a fact and I investigated it, that the attack was being made upon the integrity of the present method of distributing grain in this country. Now, if I had any doubt about what the United States Grain Growers would mean if it succeeded in going ahead and getting all the money it attempted to get, when I read the decision of the Minnesota Securities Commission it so far justifies me in what I was doing that I had no compunction about going ahead in this work; and I do not believe it is any more to the detriment of the country than the Chicago Board of Trade or the Grain Dealers National Association or any other like institution should lay the facts that they are able to get before the people than it is for other institutions to lay facts in their favor before the people if those are detrimental to the interests to which they are antagonistic.

And another thing I want to say to this committee. These Farm Bureau county agents are being paid from the taxes assessed against all of the people. I believe in the Farm Bureau county agents going out and giving the farmer all the information they can give in the way of producing crops and bettering his condition as a farmer; but when they lend themselves to the propagation of these theories of destruction of other men's business who are being taxed to pay them their salaries, I say that is a circumstance that is indicative of what is going on in the minds of the people of this country to-day.

That, gentlemen, is why I was in this, and I was in it for no other reason, and I am here only to defend myself against the charge that I was connected with the raising of this slush fund.

Senator Ladd, in that connection I would like to ask you a few questions. You state that the Farm Bureau's representative, the county agent, is going out and taking part in the marketing organization?

Mr. MALING, Political work.

Senator Ladd, Would that be political work—marketing?

Mr. MALING. No, sir. I don't think there was ever a county agent on that staff that was ever hired that was an expert on marketing. I don't think there was one.

Senator LADD. I happen to be acquainted with some of them and know some of them are very skilled in this work. Sometimes they say the county agent is not skilled, has not skilled knowledge, but usually he is an expert and a student in most of the States.

The point on which I want to get your viewpoint is this, in connection with the matter under consideration.

Is not the county agent employed directly by and responsible to the Farm Bureau?

Mr. MALING. I understand that one-half is paid by the Government and one-half by the county.

Senator LADD. In some States. In some States it may be one-third by the Government, one-third by the county, and one-third by the State.

Mr. MALING. It is taxpayers' money.

Senator LADD. But the point is he is employed directly by the organized farmers themselves, is he not?

Mr. MALING. He is not paid by them.

Senator LADD. That is very true, but he is employed directly by those organized farmers, and therefore he is responsible to them and carries out the orders that they give him?

Mr. MALING. I don't think that where the Government of the United States and my county pays the man his salary to do a public service he should take orders from any individual body of men. His duties should be so defined that he would know just what he was going to do when he went to work, because the taxpayers' money is used to pay him, and he should not be guided by the prejudices of any individual or body of men.

Senator LADD. I think you will find that his duties are fully defined by the United States.

Mr. MALING. I think that is true.

Senator LADD. And by the State?

Mr. MALING. I think that is true.

Senator LADD. Or by the colleges?

Mr. MALING. I think that is true. I think he entirely goes out of it sometimes.

Senator LADD. I am not speaking of what some individuals may do. I want to ask you this question. Since the Secretary of Agriculture has repeatedly in his addresses since he became Secretary emphasized the necessity of the farmers entering more fully into the marketing side of agriculture, is it not natural that those men who are in a measure representative of the Department of Agriculture should assist in the organization of marketing plans?

Mr. MALING. I think it is unfortunate for the country that he has taken the wrong position; more so than it is for a county agent.

Senator LADD. You mean, therefore, that you challenge the position which the Secretary of Agriculture has taken?

Mr. MALING. To this extent, if this must go into the record. I recently read a statement published in the papers, by the Secretary of Agriculture, in which he said that the problems of the farmers of this country to-day cease to be political and have become economic, and he was very glad to see the tendency in Congress to legislate along those lines. I say that, let the problems of any great division of our people become political and not economic, that the Government has much more to do with them, because there are three millions or more men walking this country whose problems are purely economic, and I don't see them being legislated for here directly, and the Secretary of Agriculture has the power to suggest legislation for them.

Senator LADD. That would be the province of the Secretary of Labor, would it not?

Mr. MALING. No, sir. Excepting in a way. That he has knowledge of general conditions affecting all the people of this country.

Senator LADD. I mean, he is the representative of labor as the Secretary of Agriculture is the representative of the farmer?

Mr. MALING. No, sir; he is the representative of the United States Government, looking after its citizens.

Senator LADD. He bears the same relation to labor as the Secretary of Agriculture does to the farmer.

Mr. MALING. Yes, sir; but I don't see any bills in which he says the Government should legislate directly for labor, and if he did, I would do away with him. I am one of those who believe in sticking to Government institutions, under our National Constitution. I remember, sir, when Mr. Simpson and Mr. William B. Allen, and your friend and my friend Judge Pettigrew down in South Dakota, when the farmers of this country were prostrated, along with other business of this country, came down here. I saw Senator Pfeiffer come down here, and I saw Senator Pettigrew come here, and I saw Senator Allen come here, but nothing in the way of legislation that they passed did I ever see that brought back farm values to this country, and men were advised to leave their farms in Nebraska and Kansas, because they were not worth over \$10 to \$11 an acre, I think, on an average. They did leave those farms, and I saw those farms selling for \$150 to \$200 in my own country.

Now, I am not prejudiced against the farmers. I wrote an article last December in my paper showing the utter demoralization of the purchasing power of our currency, and the low value of exchange in Europe, the German mark, the French franc, and Italian lire, and I showed how they averaged up with the amount they would purchase two years ago. I advised the farmers to sell their crops. I think Senator, that the Equities came in there and said not to sell. Wheat was selling at \$1.87 a bushel. It costs the farmers \$1,000,000 at least in our country, because they were told that this article that I was writing advised them to sell their crops was a conspiracy.

Senator LADD. The point I want to make there is this. You are opposed to the farmers organizing to secure better market facilities?

Mr. MALING. No, sir.

Senator LADD. I want to get that on the record, because I would infer that. Mr. MALING. I am opposed to the farmer coming to this Congress and having, by legislation, the stage set under which he can organize a marketing service. If the farmers, through their organization, could devise a better marketing system, then I would be thankful for it. If they could put the Chicago Board of Trade and the markets out of business that is none of my business, but when they come down here asking you to legislate to give them privileges that I do not have in my community, then I say that is wrong.

Senator LADD. Do you mean in the legislation that is asked for the cooperative movement?

Mr. MALING. No, sir; I say that when labor or farmers or any other individuals can get protection under a law by which they can do what they have to do and do it with the help of the Government, then I don't think that is good legislation.

Senator LADD. Well, do you think it is good legislation under which it is possible for 10 men to unite together and transact business and be protected, and 10 other men not be able to be united together, and if they did attempt to do business in a cooperative way that would be in violation of law?

Mr. MALING. I have never seen any legislation, sir, under which 10 men could get together and do things that the farmers can not do.

Senator LADD. The farmer and milk producer could not form a corporation?

Mr. MALING. Why?

Senator LADD. The farmer could not incorporate his farm.

Mr. MALING. One man could incorporate his farm. If he desired he could do it.

Senator LADD. Yes; he could do it, but 10 men are not going to incorporate and put their farms in the corporation. Let 10 men combine and attempt to sell under existing conditions, and will not they be liable to prosecution under the law?

Mr. MALING. Will you state that again?

Senator LADD. Let 10 milkmen unite together to sell their milk under one sales agency, and are not those farmers or milkmen liable to prosecution?

Mr. MALING. Are there any other citizens who may do the same things that are not equally liable under the law?

Senator LADD. Because there is no law for the cooperative movement. Mr. MALING. What is that?

Senator LADD. There is no law for the cooperative movement, but if there is a law for cooperative movement and they can do that, then they would be doing no more than a corporation. Men can form a corporation, but a corporation is not adapted to the farmers' conditions.

Mr. MALING. That is the judgment of the men in the farming business. That being so, are they going to ask that they have special legislation whereby they may operate and do business under which if I were to organize with these gentlemen here I would be attacked for doing it?

Senator LADD. Not at all. I don't understand they have asked for any such thing. I wanted to get your impression, because my impression is not the same as yours on that point. They would not ask special legislation on that. I am just as strong against special legislation as you are.

Senator KEYES. That is all, Mr. Maling, unless you have something more that you would like to say.

Mr. MALING. I would like to say in regard to the cooperative movement and the impression that is being given out among the farmers, they are citing the fact that in California, Washington, and Oregon cooperation among the fruit raisers is successful. They have pointed to that as an instance of successful cooperation. Now, those men do not tell them that God gave them a monopoly of climate and sunshine under which a special product is produced, the raising of Oregon and California, the apples of Grand Valley, Colo., and of Oregon, where those cooperative movements thrive. They thrive because they have had a monopoly of the product and of the conditions under which the product they sell is produced. The State of Illinois is not as intensively farmed, perhaps, as the fields of southern France, but as any other country between the Allegheny and the Rocky Mountains. Therefore the farmer is engaged in an occupation which embraces the production of cereals and of farm products in which are engaged millions of other men under conditions entirely different from those under which the fruit crops of California and Oregon and Colorado are produced, and those men are led to believe that cooperation is effective, will be as effective in the production and marketing of cereals as it is in these intensely cultivated crops in a very much more restricted area, blessed by sunshine, climate, and water. I heard the farm agent myself call attention to it.

Senator LADD. That is very true. I think there is a great deal in what you say. But, on the other hand, it is not true that in Canada and Manitoba and Alberta and Saskatchewan the cooperative marketing of grain has become the chief method of transacting business there at the present time, and is succeeding, and is there any reason to believe that it would be less successful in this country?

Mr. MALING. I think in five years I would be perhaps better able to answer that question than I could to-day.

Senator LADD. I went up there and studied it first hand.

Mr. MALING. I know you did. But that is another specialized production. I think that you will find that they are not marketing cattle and horses up there to-day with any degree of success.

Senator LADD. I don't know that they are.

Mr. MALING. You did not study that. All up through there they are worth nothing. Wheat is a specialized production up through that country.

Senator LADD. That is very true.

Mr. MALING. And another thing, Senator, that I would like to ask is this—well, I won't ask a question.

Now, I have heard these men tell about how the arrangements are all made to market the wheat; the farmer is going to sell his product to the market, with the result that it demoralizes prices. Now, as a matter of fact, as far as I have been informed myself, it is not in the period of the movement of the crop to the market that the low prices take place. It has seemed to take place when there is a less movement of crops to the primary market. I think statistics will show that to be the case over a period of years, and I confidently believe that I am right. I am not quoting the farmer. I am quoting the man whom I heard tell the farmer that he must have long periods to carry his crop, because when it all goes to the market together it develops in the demoralization of prices.

Senator LADD. Then, I infer that you feel that the farmer has all the credit facilities that he is entitled to under existing conditions?

Mr. MALING. As a human proposition, judging by the same heartless way that I am judged in my business and you are judged in your business, yes. The farmer has had seven years of prosperity. When the Siberian army started across on its way to Belgrade, before Germany had crossed into France, farm products in this country were bringing good prices. For two years before the war the farmers of this country were selling their crops at prices which were

generally profitable. Now, they have had from 1914 to 1920—the latter part of 1920—unprecedented prosperity in the way of prices. During that time the United States Steel and Ordnance was also making large profits, and it set aside a reserve. I noticed in this morning's paper it is paying dividends now out of the reserves that they then set aside. The farmer did not do that. The farmer spent his money, and now he is paying. His product was the first that went down, and he was told that it was a conspiracy that sent his products down first. If his products went down first it is because they went up first. The same condition which made the prices go up, when it ceased, made his price go down.

Senator LADD. I don't think this is the place for a discussion of that.

Mr. MALING. I hope you will understand that I am not here in defense of the grain men. I came here in defense of myself, as not being connected with the slush fund, so called.

Senator KEYES. I think that is all, Mr. Maling.

TESTIMONY OF MR. CHARLES QUINN.

Senator KEYES. State your name, residence, and occupation, and whom you represent.

Mr. QUINN. Charles Quinn, secretary of the Grain Dealers' National Association, Toledo, Ohio.

I think probably it would be advisable for me to preface my remarks that I might make by putting Senator Ladd and the others in the grain dealers' line of the National Grain Dealers' Association, just what that organization is, just how many members it has, and the different classes of membership embraced in the association.

This Grain Dealers' National Association is the big national organization of the grain dealers. You might say it is to the grain trade what the American Bankers' Association is to the bankers.

The Chicago Board of Trade, the Minneapolis Chamber of Commerce, and those other various exchanges do not belong to the Grain Dealers' National Association as a body, but the members of those various exchanges do belong to us as individual members. Virtually all of the members of the Chicago Board of Trade, except a good many of the speculative element, but the cash grain men, the Minneapolis Chamber of Commerce, the New York Produce Exchange, the New Orleans Board of Trade, and the San Francisco Chamber of Commerce, and all of the various exchanges, large and small and in between, their individual members all belong to this association. They are what we call direct members. We have two classes of members—direct and associate. These so-called associate members are members of these State grain shippers' organizations, and we have many of these associations affiliated with us. There is the Ohio Association, the Indiana Association, the Illinois Association, the Western Association—which embraces Iowa, South Dakota, and Nebraska—the Missouri Association, the Kansas Association, the Oklahoma Association, the Texas Association, the Michigan Hay & Grain Association, the Mutual Millers & Feed Dealers' Association of New York State, the Northwestern Grain Dealers' Association, whose headquarters are in Montana, and the Pacific Northwest Association, whose headquarters are in Portland, Oreg.

So, you see the association virtually takes in all of the independent grain interests of this country.

There are about 3,000 of those affiliated members, giving a total membership of about 5,000.

This national association was organized in 1896. It celebrated its twenty-fifth anniversary last year at our annual convention, which happened to be held in Chicago in October. We have not met in Chicago for 11 years until that time.

The purpose of this organization is to establish rules among the members for their regulation and for the general betterment of trade conditions. We have a very elaborate set of trade rules, and we enjoin upon every one of our members, direct and affiliated, compulsory arbitration. That is to say, if a man joins the association he obligates himself when he signs a membership card to arbitrate any disagreement that he may have with another member.

We estimate that there are about 10,000 grain dealers in the United States, and we have 50 per cent embraced in our membership, and that 50 per cent handles anywhere from 80 per cent to 85 per cent of the grain handled in this country. All of the large dealers belong to our association, and thousands

of the smaller ones, but the 5,000 that are without the association are nearly all little ones.

I make this explanation so that you will understand what the Grain Dealers' National Association is and how it became involved in this Mansfield committee, this fight, this effort to educate the farmers.

The Grain Dealers' National Association did not know Mr. Mansfield any more personally than it knew Dr. Ladd or anyone else. The only reason Mr. Mansfield happened to be connected with it was that when we held this meeting in Cincinnati on June 27 Mr. Mansfield had just come from Springfield, where he had been engaged in this fight on the Lantz bill, and those who were at the meeting thought he would be a good man to put on this committee, because he had had this fight, and I venture to say that if Mr. Mansfield had not been in the Springfield affair he would not have been in any way connected with this committee. I make that explanation so that Senator Ladd will understand that there is no connection at all between Mr. Mansfield, the Grain Dealers' National Association, and Bartlett, Frazier & Co. It is a mere incident that one of Bartlett, Frazier & Co.'s men should be at the head of that committee.

I have brought here with me a stenographic report of the Cincinnati meeting. We took a stenographer from Toledo with us. I would like to file this with the committee, so that you will know just exactly what happened. There can not be any question about what took place at the Cincinnati meeting, because it is all there verbatim, as reported by the stenographer.

Senator KEYES. Does that give the names of the people who were present at the meeting?

Mr. QUINN. I will give you that later. I have it here. They did not ad register.

I have also here a complete financial statement of the receipts and expenditures of the so-called Mansfield Committee from its inception, about July 1 until the present time. The committee was abolished on January 1, and then its affairs were turned over to me at the Toledo office. Toledo is the headquarters of the association. So that this report which I am submitting is a report taken from Mr. Mansfield's books, as well as a report taken from our office, the Toledo office, and it is complete up to January 21—this month. Here is an itemized statement of receipts and disbursements. Every dollar that we received is given here, and from whom we received it. Every dollar that was disbursed is also here, and to whom it was disbursed.

The amount of money received for this fund was \$92,579.84, and the amount of expenditures up until January 21 was \$72,657.99, leaving a deficit of \$19,921.85, which amount President Clement, who was not able to attend these hearings because he is sick, in Waco, Tex.—President Clement and I are going to make a little trip to some of the exchanges that have not contributed at all to this fund, for the purpose of raising this additional \$19,000, so that the affairs of the Mansfield committee can be liquidated and become a matter of history. We have not raised enough money to meet all the obligations.

I would like to file with the committee also this report. It speaks for itself. (The report referred to is here printed in full as follows:)

Receipts and expenditures, special legislative fund, Grain Dealers' National Association, Jan. 21, 1922.

Receipts:

Chicago office—

| | |
|--|-------------|
| Chicago Board of Trade..... | \$10,000.00 |
| New York Produce Exchange..... | 5,000.00 |
| Minneapolis Chamber of Commerce..... | 5,000.00 |
| Kansas City Board of Trade..... | 5,000.00 |
| St. Louis Merchants Exchange..... | 5,000.00 |
| Omaha Grain Exchange..... | 2,500.00 |
| Cairo Board of Trade..... | 600.00 |
| Peoria Board of Trade..... | 500.00 |
| Indianapolis Board of Trade..... | 500.00 |
| Baltimore Chamber of Commerce..... | 1,000.00 |
| Grain Dealers National Association..... | 500.00 |
| Individual members Chicago Board of Trade..... | 7,225.00 |
| Miscellaneous contributions..... | 2,101.00 |
| Interest on bank deposits..... | 20.34 |

\$44,946.34

Receipts—Continued.

| | |
|--|------------------|
| Toledo office— | |
| From letters soliciting contributions..... | \$4,133.50 |
| From grain exchanges, Fort Worth, Oklahoma City, Enid, Salina, Hutchinson, Wichita (by personal solicitation)..... | 3,500.00 |
| From Chicago Board of Trade (special contribution)..... | 10,000.00 |
| | \$17,635.50 |
| Total..... | 62,579.84 |

Expenditures made and indebtedness incurred:

Chicago office—

| | |
|--|-----------|
| Administration..... | 809.54 |
| Advertising..... | 16,690.30 |
| Circular letters..... | 379.00 |
| Exchange..... | 8.18 |
| Expense— | |
| Office..... | 343.40 |
| General..... | 8,842.81 |
| Express..... | 209.33 |
| Envelope supply..... | 1,925.71 |
| Furniture and fixtures..... | 522.70 |
| "Grain-growers' contract" pamphlets..... | 245.00 |
| Letterheads..... | 208.00 |
| Letterheads (mimeograph)..... | 150.00 |
| Literary bureau..... | 745.87 |
| Letter service..... | 1,864.90 |
| "Permanent-policy" pamphlets..... | 1,050.00 |
| Publicity bureau..... | 2,610.00 |
| Posters..... | 7,281.26 |
| Postage..... | 9,534.38 |
| Printing..... | 2,400.21 |
| Pay roll..... | 1,852.54 |
| Rent..... | 1,122.26 |
| Salary account..... | 4,612.23 |
| Stationery..... | 192.76 |
| Speakers' fund..... | 2,577.00 |
| Supplies..... | 948.51 |
| "Sign-here" pamphlets..... | 3,531.00 |
| Telegrams..... | 57.77 |
| Telephone..... | 79.95 |
| "Warning"..... | 114.25 |
| "Wisconsin farmer"..... | 75.00 |
| "Wallace's farmer"..... | 70.00 |
| | 71,144.56 |

Toledo office—

| | |
|--|-----------|
| Printing..... | 3,058.80 |
| Freight, express, telegrams..... | 36.06 |
| Office rent (Chicago)..... | 125.00 |
| Office supplies..... | 1,112.85 |
| Telephone rent and tools..... | 17.00 |
| Traveling expense..... | 864.22 |
| Postage..... | 100.00 |
| Advertising..... | 9,200.00 |
| | 14,513.43 |
| Less amounts paid by Toledo office and included in Chicago accounts..... | 13,000.00 |
| | 1,513.43 |

| | |
|----------------------------|------------------|
| Total..... | 72,657.99 |
| Total receipts..... | 62,579.84 |

| | |
|--|------------------|
| Deficit (due on advertising, office supply, and general printing accounts)..... | 10,078.15 |
|--|------------------|

Unpaid bills:

| | |
|--|-------------|
| Vanderhoof & Co., balance due for advertising..... | \$9, 119.56 |
| Gaw-O'Hara Envelope Co., balance due for envelopes..... | 925.71 |
| Heidstrom-Barry Co., balance due for general printing..... | 3, 160.00 |

Total..... 13, 205.57

Cash on hand:

| | |
|---------------------|-------------|
| Toledo office..... | \$3, 120.07 |
| Chicago office..... | 7.35 |

..... 3, 127.42

Balance or net deficit..... 10, 078.15

Mr. QUINN. I would also like to file with the committee copies of literature that were sent out by the Mansfield committee. I also brought with me some of those large posters, but I understand they have already been entered.

Senator KEYES. Yes.

Mr. QUINN. Now, Senator Keyes, with reference to that hearing in Cincinnati on June 27: That hearing was brought about in the most natural way in the world. I would like to say, before I go further, that the Grain Dealers' National Association has not antagonized the cooperative movement. In those various associations which I enumerated as having been affiliated, some of those associations contain a large number of cooperative elevators, notably the Kansas association, which has, I understand, nearly 200 cooperative elevators that belong to the association. Illinois has a number, but not so many. Oklahoma has a large number; and in the Western Association, the Iowa association, there is a large number.

When this cooperative movement first began, of course, the grain men, being human beings like everyone else, and conceiving that probably their interests were jeopardized, as any business man will when some new movement starts, there was some objection to the cooperative movement and some considerable antagonism. All of those line houses in North Dakota belong to the association, but not as individual line houses. The headquarters of Minneapolis takes one membership that covers them all. The Wallace-Harrington Co.—I don't know how many line houses they have, but they have several, but they would all be embraced in just one member.

A great many members of the Grain Dealers' National Association did antagonize the cooperative movement when it started; and that is very natural, very human. That is the experience of every institution and every business. But as time went on they saw that the cooperative movement was one of those that had come to stay, and there was no use fighting it; and the attitude of the grain trade—although the Grain Dealers' National Association itself never took any official action one way or the other, it never in the 25 years of its history passed a single resolution antagonistic to the cooperative movement, but many of the more or less influential members in the association did fight it. But they have not been doing that for many years—at least 15. And so we, the grain trade as a whole, have become reconciled to the cooperative movement, and we have taken them into our membership, and when I became secretary of this association 10 years ago I remember that I had received requests from cooperative institutions asking if they were eligible for membership. I told them that they were; that anyone was eligible. We had a great many cooperative members who were direct members of the association.

But when this present Grain Growers' Corporation started, that was something different. That was something that we conceived to be a great menace not only to ourselves but to the farmers and everyone interested. It is not necessary for me to go into the reasons for that, because they have all been developed here by Mr. Mansfield and others.

Great pressure was brought to bear upon us by our members. They said, "What are you going to do about this? You are the recognized national organization of the grain trade. Are you going to sit supinely by and allow these agitators to put over this hundred million dollar proposition which will ultimately injure the farmers?" The pressure upon us became very strong; and we were, of course, forced to take some recognition of it.

Then it was decided by our executive committee to hold a mass meeting at Cincinnati, at which this whole subject would be discussed. We went down there not knowing at all what would happen. We thought we would call a meeting of the representatives not only of our association but of all of those

affiliated with us to see what, if anything, could be done. Some one suggested that it would be a good plan to broaden the plan to take in others; those who were connected with business similar to the grain trade and those who supplied farmers, such as implement manufacturers, and all of that. So in order to make it quite broad we sent out invitations to a large number of people, the United States Chamber of Commerce, the Millers' National Federation, the National Feed Dealers' Association, the National Hay Association, the National Seed Men's Association, the National Cotton Men's Association, the Potato Growers' Association, the Wholesale Produce Association, the Wholesale Lumber and Coal Association, the Wholesale Distributors' Association, the Wholesale Grocers' Association, and so on and so on.

A great many of those organizations that I have just enumerated sent representatives to the meeting. The United States Chamber of Commerce had a man there by the name of Mr. Payne. The Implement manufacturers sent a man there, and so did the wholesale grocers, and others, but they made it very distinctly understood that they did not come there in any official capacity, but just to listen and see what was going on. There was no use of our trying to commit them to any policy whatever, because they had no control; they would just go back and report to their offices. Several of them made speeches, and their speeches are in that stenographic report.

They went back, and most of those, or all of them in fact, except the grain dealers, finally withdrew for one reason, that while they were in sympathy with a movement of this kind, they said they were not directly interested in this, because it was not something they were directly involved in. While they were in sympathy with the movement, they did not care to carry it any further, and we did not press the matter, and they just dropped out, and we confined it to the grain business.

The resolutions I have here, and they have gone into the record.

Now, one of the things that was largely instrumental in our becoming interested in this movement was this agitation on the part of the Farm Bureau. Previous to this fight at Springfield over the Lantz bill it was next to impossible to secure a market for any grain. When we went to the grain men and asked them to raise a fund to meet this situation they thought it was nonsense. They thought there was no possibility of its ever going any further than simply an attack, until the Lantz bill came up in the Illinois Legislature, and then suddenly the grain trade awoke to find that there were actually enough votes in the Illinois Legislature to pass this measure, and had the Chicago Board of Trade and the Illinois grain men not got out into the field, had they not taken off their coats and worked, the Lantz bill would have become a law, and the Chicago Board of Trade would have been put out of business. Had it not been for the fight in Illinois over the Lantz bill before the State legislature the Cincinnati meeting would probably never have been held, and if it had been held we would probably have been unable to secure any money, because the grain men had always assumed a position that, oh, that is agitation, and it will only go so far, and then it will be over.

One of our opponents said that the grain trade in the past had been very active in fighting the farmers. That statement is absolutely untrue, because I know from my own personal experience as secretary of this organization that it has been impossible to get any money to fight anybody. We have never been able to get any money to fight the farmers or anybody else. That has always been our trouble. We never could get them worked up to the point where they could see any menace in this movement or any other movement. They were all busy business men, and when they get through their day's business they are tired and won't even listen to you. So had this fight not come up in Springfield we would never have been able to raise anything.

But the first thing that started off all our troubles, as we conceive, was this little act that was approved on March 4, 1913; and as Senators here you understand how a great deal of legislation in the past few years has gone on the statute books through riders to appropriation bills, and here was an appropriation bill of the Department of Agriculture in 1913, a bill containing 32 pages of provisions, and one little paragraph of six lines, which started all of this trouble, and which nobody noticed. No objection was directed to it, because nobody imagined that it ever contained any menace or that it would ever grow into anything like this.

To enable the Secretary of Agriculture to secure and diffuse among the people of the United States useful information, and to connect with the marketing and distributing of farm products, and for the employment of persons

and means necessary, in the city of Washington and elsewhere, there is hereby appropriated the sum of \$50,000, of which sum \$10,000 shall be immediately available."

Unless I am incorrectly informed, that was the beginning of the Farm Bureau. It started with a little appropriation of \$50,000 in 1913 in a little paragraph of six lines in the Agricultural appropriation bill. All of the rest of the bill relates to other things.

Then in order to widen the scope of that subsequently it became necessary to pass what is known as the Lever Act, I think, making the appropriation available. Am I not correct in that?

Senator Lamb. That is correct.

Mr. QUINN. What we objected to, and seriously objected to, and for the very best of reasons, was the fact that here is legislation put on the statute books by which they have taken our own money, their money, the farmers' money, and everybody else's money, and used it to cut our own economic throats. It was when this fact began to permeate the membership of the association that they realized what a dangerous situation had arisen. I had much correspondence with the Secretary of Agriculture, Mr. Wallace, on this subject, and I have written him and told him that I have received many reports from our members, because I am a sort of nerve center there, in which they complain of the pernicious activity of the county agents. He wrote back that while that might be true, that there might be a few here and there who have stepped over the line, when his attention was drawn to them he had got them back to their own work.

So, in order to satisfy myself, I got up a questionnaire, I think it was last February, and we sent it out to all of our members, 5,200, scattered all over the country, in which we asked them if it was true that these county agents were engaged in efforts to help the farmers to be better farmers, and I received replies that could hardly be put in a large trunk, from every one of them, including county papers. Most of these county papers have columns devoted to farm information, and those columns are edited by these county agents. These various members told us that these county agents were not only endeavoring to make the farmer produce two blades of grass where one grew before, but, notwithstanding what Secretary Wallace had said, these agents had completely forgotten the purpose for which they had been employed, and that they had gone into politics, that they had organized farmers' cooperative elevators and other farmers' organizations, with the result that it then became apparent to us that unless there was a mass meeting of the members of the association to see what could be done to meet this situation when the Grain Growers (Inc.) stated it could not adequately be met.

There were present at that meeting in Cincinnati, I should imagine, about 75 people, of whom perhaps but 20 or 25 represented outside interests, outside of the grain trade. The rest were all grain men from the exchanges and from the various associations affiliated with us.

At the Cincinnati meeting we did not know just exactly what we would be called upon to meet. We did not know what success Mr. Mansfield might have. We did not know what kind of a contract the grain growers were trying to put over. But we held a meeting largely for the purpose of meeting any situation that might arise that would jeopardize our interests as we conceived them. But the Mansfield committee had no sooner met than they found lots of material on which to work, and that has already been brought out and placed in the record.

Of course, the grain men of this country naturally believed that cooperation was simply monopoly. Now, that is an academic discussion, but that is the position we took, that cooperation is, of necessity, monopoly, because when the grain growers started their campaign to take in all of the farmers of this country, they hoped to succeed. If they only took in 25 per cent of them, they were only 25 per cent successful. If they took in only 50 per cent, they were only 50 per cent successful. If they took in all, then they were successful; and if they had them all, in, they were the monopoly. Of course, some of the more intelligent ones in the movement did not conceive it possible to get 100 per cent, because you can not get 100 per cent of ordinary men in anything. But, intrinsically, that is the point, that the more men you get in it the more successful you are as a cooperative enterprise, and the closer you draw toward monopoly. As we believed in the law of supply and demand, and as we conceived that the distributor and the consumer in the long run must benefit from competition in the handling of grain, we felt that we were on perfectly safe ground, morally and economically, when we antagonized this movement.

One of the troubles that we had with our members, as I have just explained, was to get them to realize the absolute necessity of the association doing anything, and it was only after we had succeeded in convincing them that in this country, at 'east—and probably this applies to all other countries—you can virtually put over anything if you have, first, the money with which to do it and, second, if you are in possession of the instrumentalities for the dissemination of information, such as newspapers and periodicals. In other words I venture to say that you could put over polygamy in this country if you had, say, Mr. Rockefeller's money and if you had the newspapers and if you had no opposition. Now that statement may be a little far fetched, but I will explain just exactly what I mean by that. I mean that a misstatement or a half truth, which is sometimes worse than a whole falsehood, repeated constantly, day in and day out, and that is the theory of advertising; constant repetition; that the constant dropping of water will wear away the hardest stone, is the old axiom—but the constant repetition of statements made over and over again without contradiction will in time be accepted as truth by the people that listen to it. So that I say it would be quite possible to put over polygamy in this country if you had the money and the means of dissemination of information. I think you will all agree with that.

It was not until we had satisfied the members of the grain dealers' association that this was true that these half statements and these untruths, repeated constantly by these farm agitators, would ultimately be accepted as truths by the farmers, that we could get them to see the necessity of any action. The farmer is a human being like all the rest of us. If he hears this stuff day in and day out and nobody contradicts it, he says it must be true or they would rise up and refute it. And our sitting idly by only gave the farm agitator his opportunity to say, "It is true. I told you it was true. If it were not true they would attempt to deny it."

And that is how far the grain men went up until the present time, and that was how difficult it was to even start this movement. It was not until we could convince them that there were these organized minorities in our legislative bodies, and what could be done without any opposition, that we finally succeeded in raising this money, this so-called slush fund of \$67,000.

But when we got started in this fight some interesting developments ensued. One of them was that we found it was almost impossible to get to the farmer. We found that the farmer, generally speaking, read his home publication. The editors of these publications would not publish anything from us. If we went there with the intention of getting to the farmer the economic truth, we could not get it to him because these editors would not publish it. We did, however, buy some display space in those papers. Then we found this situation, that even after we bought this display space the editors of these papers would write long editorials refuting our articles in the display. So that then it finally dawned upon us that there was only one possible way in which this association could get to the farmer and that was through these meetings. And I will say this in defense of the farm bureau managers, that some of them I received letters from in which they said they had seen it published in the newspapers that the Grain Dealers' National Association, as they termed it, was fighting the grain growers and they wanted to know if we would send them a man. I had some of them say that they were on the fence themselves and they did not know anything about the relative merits of the present marketing system and the proposed marketing system, and if I would send them a man they would be very glad to have him engaged in joint debate.

It was not until we secured the competent men who understood the grain business to go to these meetings that we really began to get to the farmer, because the grain growers had endeavored to put over this movement of theirs in a sort of emotional way. You saw the contract here, the 32-foot contract that they asked the farmer to sign. This is how they would try to get him. They would go to a man who would probably be out in the field plowing and they would say, "Jim, you must sign this. This is a great movement for the emancipation of the farmer. Your neighbor across the road has signed it and you can not afford to stay out of it." And in that emotional way they endeavored to get this man's signature to hand over all his grain for five years on a contract for the length of time.

We thought if we could get up these little publications that I have filed with the committee and just simply get the producer to think, say, "Don't sign anything until you have taken this matter up with some one who knows,"

that we could accomplish our purpose. There was no question of fighting. There was no question of antagonism. The whole campaign simply revolved around the one point of "Don't sign anything until you know what you sign." We found out from published reports of the United States grain growers themselves what they were doing in the way of getting members. They published in the press what members they were getting daily. After a few days, after this literature had begun to be circulated generally among the farmers, we began to notice a big falling off in the number of signatures that they had secured. In other words, all we did to the farmer was to ask him to think, and when some of these young men came around to secure their signatures the farmer would say, "Well, I don't know about that. I will have to think that over," and their campaign began to slow up.

Now, Senator Keyes, before I finish I would like to express the hope that your committee will take advantage of the nature of this resolution that has been passed, by Senator Kenyon's resolution, and I hope that you will see, before you make a report on this investigation, if the United States Grain Growers have been as frank with your committee as we have been. I hope you will take some means to subpoena some of the authorities of the United States Grain Growers, or in some other manner get them here, and ask them for information with reference to how much money it cost them to try to put over this bizarre scheme of theirs. I hope you will ask them a number of very pertinent questions, such as how much money they are indebted for at the present time. Reports are current that they are involved to the extent of \$250,000. I am just giving you that as a report. I don't know anything about it. I know we would feel very grateful if you would see your way clear to broaden this investigation where you can get to the bottom and find out the facts. We have been frank with the committee. We brought down our books and have given you everything that we possibly could; everything that you asked for. We have nothing to hide. We have no apologies to make to this committee or anyone else. We think we are honorable business men, pursuing a legitimate enterprise, and when our business is attacked we have a perfect right to defend it.

I don't think of anything else that I care to say.

Senator Keyes. Mr. Quinn, you were correct in saying that your correspondence was with Secretary Wallace?

Mr. QUINN. Yes.

Senator Keyes. You mentioned correspondence with him first, and then referred to a questionnaire which you sent out in February last. That was before you corresponded with Secretary Wallace or before he was made Secretary of Agriculture?

Mr. QUINN. Oh, no. The questionnaire was sent out before I corresponded with Mr. Wallace. I also had correspondence, I think now, with Senator King. Senator Keyes. In this report of the proceedings of the Cincinnati meeting, will we find the speech of Mr. F. W. Boyle, who was present at that meeting?

Mr. QUINN. Yes, sir. It is all there. It is a complete report.

Senator Keyes. The resolution asks us to ascertain the various subscriptions to the so-called slush fund. Now we have that, as I understand?

Mr. QUINN. That is in the record.

Senator Keyes. The officers and executive agents appointed to carry out the program authorized by this convention?

Mr. QUINN. That is in the stenographic report, right near the end.

Senator Keyes. That is all in there, is it?

Mr. QUINN. Yes, sir.

Senator Keyes. And all the facts and circumstances relating to it? Now, you have given all the information you can in regard to this subscription and the meeting and the organization and everything in answer to this resolution that you can give us?

Mr. QUINN. Yes, sir.

Senator Keyes. Do you want to ask any questions, Senator Ladd?

Senator Ladd. Yes; I want to ask Mr. Quinn some questions. Some of the questions that I wanted to ask him are since cleared up.

As I understand it, you were the official who called the meeting in Cincinnati?

Mr. QUINN. Yes, sir.

Senator Ladd. You sent out the notices?

Mr. QUINN. Yes, sir.

Senator Ladd. And you have already filed a list of all the associations that were invited?

Mr. QUINN. No, sir. That is in our office. I would be glad to send it to you.

Senator Ladd. I think that ought to be in the record.

Senator Keyes. Will you send that to us?

Mr. QUINN. I will be very glad to. Do you want a copy of the call?

Senator Ladd. Yes.

Mr. QUINN. And a list of what?

Senator Ladd. Of the associations or organizations or individuals that were invited to attend; a list of those who were in attendance, if that is not already in the call.

You have already stated that some of those invited and some of those who attended did not take part because they felt that the proposition did not affect them?

Mr. QUINN. Directly; yes, sir.

Senator Ladd. What was the purpose of inviting, as I understand you did invite, a large number of other organizations than the grain trade—the chambers of commerce, the wholesale grocers, and so on?

Mr. QUINN. Well, we felt that they were indirectly menaced, of course. We thought that it was their fight as well as ours, but they did not see it that way. Senator Ladd. Had the United States Grain Growers (Inc.) issued a statement, notice, or any other form of communication attacking the business activities of these outside interests?

Mr. QUINN. I did not understand that. Will you just repeat that?

Senator Ladd. It was stated by some one that your organization was not the first to make the attack; that the attack was made by the United States Grain Growers, so I ask you this question:

Had the United States Grain Growers issued any statement, notice, or any other form of communication attacking the business activities of these outside interests?

Mr. QUINN. Well, Senator, the farm bureaus were so interlocked that we conceived them to be about the same, and the farm bureaus had gotten into handling fertilizer and many commodities, and as we conceived it the United States Grain Growers was simply one of the many outgrowths of this cooperative movement.

Senator Ladd. Had the United States Grain Growers issued any statement, notice, or other form of communication as regards any officer of your organization or the organization itself?

Mr. QUINN. That is, you mean making a personal attack on them?

Senator Ladd. Yes.

Mr. QUINN. Not that I know of.

Senator Ladd. Not as far as you are aware of?

Mr. QUINN. No.

Senator Ladd. Will you state again the number of State grain dealers' associations that are organized, and how many were affiliated with your organization? That is, the State organizations?

Mr. QUINN. Yes; all of them. There is one association that has been asking for affiliation, and they will probably be affiliated in the next few weeks.

Senator Ladd. All members of the State associations, as you state, are also, I understood you to say, members of your association?

Mr. QUINN. Yes, sir.

Senator Ladd. What is the total membership of the Grain Dealers' National Association?

Mr. QUINN. Direct and affiliated?

Senator Ladd. Yes.

Mr. QUINN. Fifty-two hundred.

Senator Ladd. Which is the largest of the State associations in point of membership, if you know?

Mr. QUINN. I think Kansas, and Illinois next.

Senator Ladd. Are the various grain exchanges members of the Grain Dealers' National Association?

Mr. QUINN. No; just the individuals. They hold individual membership. Grain exchanges as a body are not eligible to membership.

Senator Ladd. Are there individuals from other boards of trade or grain exchanges than Chicago who are members?

Mr. QUINN. Yes, sir. All the exchanges. We have 80 members from Minneapolis.

Senator LADD. What group of traders in particular on the exchanges do these members represent?

Mr. QUINN. All branches; shippers, receivers, brokers, commission men, and exporters in the Atlantic outlet; anyone who is connected with the grain business.

Senator LADD. That includes both cash and speculative grain business?

Mr. QUINN. Yes; and wire houses?

Senator LADD. And wire houses?

In order that we may have it clear, your association is a national association, and what is its chief purpose and function?

Mr. QUINN. The chief purpose of the Grain Dealers National Association is to enable the grain men to come together in one national organization for the purpose of helping them to do business with a minimum of friction, to enable them to get acquainted, to enable them to do business through arbitration rather than taking their troubles into the courts. Out of the 85 per cent of all the grain that is handled by independent grain dealers in this country not one dollar a year is paid to any attorney in any suit that may be brought. We have six arbitration committees—one located in New York, one in Chicago, one in Portland, Oreg., one down in Kansas City, and one in the Southeast. I think we have one in Missouri. We handle those cases on a regional plan, and all those cases in a certain district are sent to a committee.

Senator LADD. At the time the invitations were sent out to attend the Cincinnati meeting, or at any prior time hereto, was it made known that the question of raising a fund to combat the activities of the United States Grain Growers and the farmers legislative program would be the matter discussed at the meeting?

Mr. QUINN. No.

Senator LADD. Who raised that question first?

Mr. QUINN. That was just a natural outgrowth of the meeting. It was discussed by some of the speakers. It is all in the record. After we had decided what to do we knew we could not do it without money, and the question then arose as to how we would get the money.

Senator LADD. Was Mr. Mansfield given full power to act for the committee of the Grain Dealers National Association, or was he required to have the O. K. of any grain dealer official before taking important steps?

Mr. QUINN. Mr. Mansfield was made chairman of the special executive committee. The special executive committee had power to control Mr. Mansfield. Mr. Mansfield was subject to the O. K. of the other members of that committee.

Senator LADD. How many members were on that committee?

Mr. QUINN. Five.

Senator LADD. Who were they? Well, I think that is already in the record. Are you familiar with and did you pass or O. K. the letters, posters, booklets, etc., that were issued by the committee?

Mr. QUINN. Some of them.

Senator LADD. On or about July 28 there was an announcement, was there not, of a permanent policy for the committee, which involved somewhat of a change in the methods of operation which were in use during the first month of the committee's work?

Mr. QUINN. I should rather have Mr. Mansfield answer that question.

Mr. MANSFIELD. Shall I answer that?

Senator LADD. Yes.

Mr. MANSFIELD. There was no change in the policy of the committee whatever, but the prejudiced farm press had created the belief that our sole object in life was to assassinate this new movement, and after careful deliberation the committee issued that to show to all who would faithfully and carefully read it what was the policy and what was the object of the Mansfield committee, and that policy governed from the day that we took charge of the work at Chicago following the Cincinnati meeting until the matter was turned over to Mr. Quinn. There was no change in the policy whatever.

Senator LADD. Was it not decided to make a change in some of the literature you sent out?

Mr. QUINN. No, sir.

Senator LADD. And were not telegrams sent out to cut out portions of the literature that had been used up to that time?

Mr. MANSFIELD. No, sir.

Senator LADD. Why was there a discontinuance of the two lines, "Remember North Dakota" and "Remember the Nonpartisan League"?

Mr. MANSFIELD. That was a matter of courtesy, Senator. It had been decided by the committee that it would not be an act of courtesy to put up that kind of posters in that territory where the feeling was so high, and out of regard for the feeling of the people of that section we decided to eliminate that from those posters in that territory.

Senator LADD. And they were eliminated in all territories, were they not?

Mr. MANSFIELD. No; they were not. They were never eliminated from any other since. They were simply eliminated up there in the Northwest because we felt it was not proper for us to throw kerosene or gasoline on a fire that was already growing very serious, and we thought it was an act of discourtesy to cause any more dissension up there than already existed.

Senator LADD. Some of them got up there.

Mr. MANSFIELD. Now, Senator, there was an error made, as any organization will which has a lot of help in getting out a great mass of stuff. There were some of those posters released and sent out by mistake from the office, even after the instructions had gone out and we had attempted to safeguard it, by some incompetent. Perhaps they got out up there, and we felt as bad about it as anybody could. There was no recourse. We had given the necessary instructions. It just so happened that they were not followed.

Senator LADD. I simply wanted that on the record, so you would have an opportunity to explain it. But I saw them up there.

At first, early in July, 1921, was it the plan to have all the subscriptions, contributions, and donations for this propaganda work sent direct to you, Mr. Mansfield?

Mr. MANSFIELD. Yes, sir.

Senator LADD. After the permanent policy was announced, on July 28, were there any changes as regards the collection and distribution of funds?

Mr. MANSFIELD. None whatever.

Senator LADD. There has been considerable said with regard to the withdrawal of Mr. McHugh of the Minnesota Grain Exchange, and that the chamber of commerce or the Minneapolis Board of Trade would carry its own educational propaganda campaign in their own way. What have you to say to that?

Mr. MANSFIELD. I think I answered that question before. I told you I thought they were acting under a misapprehension, and I went up there and conferred with them, and they gave their subscription. I went up and showed them what the work was.

Senator LADD. Mr. Quinn, were the newspaper accounts of the meeting at Cincinnati accurate descriptions of the matters discussed, or were they just distorted or exaggerated accounts?

Mr. QUINN. They were, like most newspaper articles, exaggerated. One reporter, after the meeting, came to me, and all he could see—the only news he could see—was, "You are going to raise \$250,000." I said, "I don't know how much we are going to raise. It depends on our ability as money raisers." And he featured that part of it, and I think it was from that that the Associated Press printed the story, and from that arose the slush-fund talk—a quarter of a million dollars which we were raising to fight the farmers.

Senator LADD. Are there many farmers or producers of grain who are members of your national association?

Mr. QUINN. Yes, sir. Farmers naturally belong to the cooperative associations, and they are affiliated with us in the way that I mentioned.

Senator LADD. You stated that quite a good many of those are members of your association?

Mr. QUINN. Yes, sir.

Senator LADD. How many?

Mr. QUINN. I don't know how many producers there were, how many producers would there be in the average cooperative?

Senator LADD. I would hate to say.

Mr. QUINN. Two hundred or three hundred?

Senator LADD. I would not want to state. I think nearer 50 or 60, on the average. It may differ very materially in that respect. They may be larger than that.

What is now being done by either the grain exchanges or the State or national grain dealers' associations to carry forward their educational campaign among the farmers?

Mr. QUINN. Nothing by the national association. We have no more money. We have to get some more money before we can continue it. That is a problem that is bothering us—where we are going to get more money.

Senator LADD. Does the national association supplement the State movements by indorsing their plans?

Mr. QUINN. I am not in position to state. The associations affiliated with us are not doing anything at this time.

Senator LADD. They have in the past?

Mr. QUINN. Some of them have, I think.

Senator LADD. Speakers are being sent out, I heard the statement made, speaking at farmers' gatherings, and also circulars were being distributed.

Mr. QUINN. That work has all been discontinued.

Senator LADD. Since the closing of your Chicago office and the transfer of the business to yourself at Toledo you are still soliciting funds for this educational campaign?

Mr. QUINN. Well, we are soliciting money to liquidate the affairs of the Mansfield committee. We are required to raise \$10,000 more before their expenses can be met.

Senator LADD. Did you not get out a circular letter under date of July 28, 1921, to your members, urging them to write to their Senators to have certain features of the Capper-Tincher future trading law amended, particularly the sections which provided for the admission of cooperative organizations on the exchanges and a restriction of the use of private wires?

Mr. QUINN. Yes, sir; we did.

Senator LADD. These provisions, as I understand it, were asked for by farmers and farmers' organizations—that is, the original provisions in the Capper bill?

Mr. QUINN. A good many of the farmers' organizations did not indorse that, but what the Grain Dealers National Association objected to was not the admission of the cooperatives on the exchanges at all, but it was their admission on a preferential basis. We felt we should support them in that insistence, and in their efforts to maintain their efficiency.

Senator LADD. Therefore you were not willing that the cooperative associations should become members as long as they continued their patronage dividends?

Mr. QUINN. We were not willing that they should come in on any other basis than those who were already in.

Senator LADD. And the basis on which the members were already in precluded the possibility of these organizations becoming members without changing their plan?

Mr. QUINN. We did not wish anybody to get in under a preference.

Senator LADD. I think, therefore, that your organization has been one whose policy has been to help the old line elevators, so-called, in preference to the cooperatives.

Mr. QUINN. No, sir; not at all. Not at all.

Senator LADD. Then why did you oppose the cooperative feature in the Capper-Tincher bill?

Mr. QUINN. There are a great many of our members in the cooperative movement who were not in favor of the admission of the cooperatives on a preferential basis, because in some exchanges there are commission firms there representing the cooperatives now.

Senator LADD. Is not that because cooperatives are not permitted to become members of the grain exchanges under their cooperative regulations?

Mr. QUINN. No; it is not.

Senator LADD. They would have to destroy their organization to become members?

Mr. QUINN. They don't have to destroy their organization. They could nominate or create a commission concern of their own; could they not?

Senator LADD. A commission firm? Would that commission firm be permitted to become a member and be permitted to represent cooperatives on a patronage dividend basis?

Mr. QUINN. What is that?

Senator LADD. I say would that commission firm be permitted to remain as a member or become a member of the grain exchange and chamber of commerce if they continued to do a successful business with the cooperatives who used the patronage dividend in their business?

Mr. QUINN. I think you have gone over all of that in your questions that you asked Mr. Mansfield.

Senator LADD. I would like your statement on that.

Mr. QUINN. Well, I would rather have that come from the exchanges themselves.

Senator LADD. Do you know Mr. Tom Worrill?

Mr. QUINN. No.

Senator LADD. Did you ever hear of him?

Mr. QUINN. No.

Senator LADD. He is the author of a book entitled "The Grain Trust Exposed." You are not familiar with that?

Mr. QUINN. No, sir.

Senator LADD. Mr. Worrill therein discusses the several lines of activity pursued by the State grain dealers' associations that could hardly be considered as being in the farmers' interest, so I am raising that question, such as price agreements in purchasing grain from farmers at country points, boycotting, raising funds for bribery to defeat remedial farmer legislation, etc. Is that in keeping with the spirit of the national association?

Mr. QUINN. No, sir; not at all. We do not do anything of that kind. I have never heard of it.

Senator LADD. He is reported in the Interstate Commerce Commission's report. He was called before them in their hearings.

Does this controversy between the old-line elevators and the grain trade of the exchanges as against the cooperative elevator and the farmer marketing movement date only from the appointment of the committee of seventeen and the organization of the United States Grain Growers (Inc.), or is it not of much longer duration—20 to 30 years?

Mr. QUINN. Well, that I could not answer.

Senator LADD. Are you familiar with the report of the Federal Trade Commission on the grain trade?

Mr. QUINN. I have read what I could.

Senator LADD. There are numerous letters in Volume I of that report showing numerous instances where the old-line elevators and others that have the same interests that make up almost the entire membership of your organization that you represent combined to fight the farmers in successfully operating their cooperative elevators. Do you deny that?

Mr. QUINN. I can neither affirm it nor deny it, because I don't know.

Senator LADD. Now, coming back to the Cincinnati meeting: It has been repeatedly said, currently reported, and I have heard it stated, that there were two sets of resolutions prepared or drawn up during the course of the proceedings; one set for the guidance of those present and one set for the public at large. What have you to say as to that?

Mr. QUINN. That is absolutely false. That is the best way to characterize that.

Senator LADD. A previous witness has sworn that there were two sets of resolutions. I would like to know the facts in detail.

Mr. MANSFIELD, Senator, I can give you the facts, because I happened to be on that committee, was present and sat all through that committee's deliberations, and I was the man who took the copy, with Mr. Forbell, after the committee had prepared it, in the Sinton Hotel, upstairs on the second floor, with chairs all around the table like this, and carried it with Mr. Forbell over to the stenographer, had it written out, read back, compared, signed by the committee, and carried by myself to the duplicator who got out the copies for the public; and any statement that there was any other resolution or any other form of resolution than the two copies that are there filed by me in my evidence is unqualifiedly a lie, and there is not a basis of a single particle of truth in it.

Senator LADD. Inasmuch as the statement has been made by a witness present, I wanted you to have the opportunity to clear it up.

Mr. QUINN. I don't see, Senator, how anyone could have sworn to a statement of that kind. The presumption is that he knew what he was swearing to.

Senator LADD. Yes, sir; he should.

Mr. MANSFIELD, Senator, may I just say one thing more? That is the kind of stuff that we have been up against everywhere we turn. I have been personally maligned all over the State. I do not have anything to say about that, but it is this campaign of assassination of character and lies about the grain trade that makes me feel that even this investigation down here is an insult to an American's belief in a republic, and that is what is questioning the committee, but it is stating what a true American citizen thinks of this whole thing.

Senator LADD. Now, I am speaking from memory on this. I am going to ask the chairman if I am, as he recalls it, correct in regard to the statement of one witness.

Senator KEYES. In that there were two sets of resolutions?

Senator LADD. Yes.

Senator KEYES. One to be given to the press and one to members?

Senator LADD. Yes.

Senator KEYES. As I recall it, that is correct.

Mr. QUINN. I was secretary of the meeting at Cincinnati, and I know it was absolutely false.

Senator KEYES. Let me ask you this: Could there be any chance for raising such a question or anything in the mind of the witness who previously testified, in that possibly some tentative resolutions were proposed, first drafted and later revised?

Mr. MANFIELD. No, sir; there were no tentative resolutions whatever. The committee was appointed to draw up a plan on which the work should be conducted, and, second, resolutions which should be the sense of that meeting, and I have both the plans and the resolutions, and they have been presented to your committee, and there were no other plans, nor were there any other resolutions, and there is no man that could have distorted the truth connected with that meeting, because there was no possible chance to do so. It was a wilful misstatement.

Mr. QUINN. I am prepared to swear that nothing transpired at the Cincinnati meeting which is not in the stenographic report.

Senator KEYES. Let me read from the testimony of Mr. Boyle.

Mr. MANFIELD. Mr. Who?

Senator KEYES. Mr. Boyle. F. W., I think it is. I am reading from page 5 on this copy of the typewritten transcript of the testimony. He was testifying as to his experience at the meeting:

"It was suggested that a resolution be drafted and it would possibly be better to have resolutions showing their attitude toward these things, so that it would make the proper impression on the public. The committee was appointed and instructed to draw up two sets of resolutions, one for the press and the other set of resolutions to deal specifically with their campaign and method of carrying it out. The committee drew those resolutions."

Mr. MANFIELD. That is as correct as 95 per cent of the statements regarding both our business and the conditions under which this campaign was carried on.

Senator KEYES. I understand, but my motive is to get the truth on the record.

Mr. MANFIELD. Well, Senator, that is what I am anxious to do.

Senator LADD. And I am not here in an attempt to shield either side or anybody.

Mr. MANFIELD. I understand that, Senator, and I am very glad the committee have given me the opportunity to unequivocally deny that statement. That is testimony that is absolutely untrue, and I have not seen a member of that resolutions committee or discussed it since last summer, and I am satisfied that every member of that committee will give the same testimony that I have, that there was no other set of resolutions, no other discussions, and that these are the original copies. These were mimeographed in Cincinnati, the very copies that you have there. I took care to preserve copies of that so that we would have originals and not any duplicate. Those are the very ones printed in a little mimeographic shop in Cincinnati and filed here with the committee as taken from my own personal records.

Senator LADD. Was there not an open discussion—I mean by that, discussion at the meeting in Cincinnati—in which several members of those present took part, as to a fight that should be waged against the growth of the United States Grain Growers, and the raising or the attempt to raise a minimum fund of \$250,000 with which to carry on this campaign?

Mr. MANFIELD. That is all in the record.

Senator LADD. Well, there was such a discussion, was there?

Mr. MANFIELD. Possibly. But it is in the record, if there was. I can not recall it now.

Senator LADD. Who is Mr. W. G. Culbertson?

Mr. QUINN. He is secretary of the Illinois Grain Dealers' Association, which organization is affiliated with the national.

Senator LADD. Was he at the meeting held on June 27, 1921?

Mr. QUINN. Yes.

Senator LADD. In a circular letter which he distributed through Illinois under date of July 6, 1921, he says that at the meeting it was decided to begin

an active campaign against the United States Grain Growers, and that a minimum fund of \$250,000 was needed for such work. Is that correct?

Mr. QUINN. I did not see the circulars, but I presume it is. You see, Senator, there was the situation. We were confronted with propaganda, a campaign of education which was nation-wide in scope, and we believed it would accomplish what we intended.

Senator LADD. You believe, then, as the previous witness has testified, that the organization and development of the United States Grain Growers was a menace to the country or to agriculture, and therefore you felt it your duty to enter a campaign in opposition to the United States Grain Growers' Association and prevent it organizing?

Mr. QUINN. Yes, sir.

Senator LADD. And you maintain that the method which you used and pursued in that connection were perfectly legitimate and proper?

Mr. QUINN. Yes, sir.

Senator LADD. And do I understand you to say that the methods which have been used in the grain trade you believe in the past have been proper and legitimate?

Mr. QUINN. Speaking generally, of course, I am not apologizing for any conditions that have in the past crept into the grain trade, and I apologize for no isolated cases of abuse of power, but that is something that is inherent in every organization, though it is unfortunate.

Senator LADD. I desire that this volume that I have here shall be available for the use of the committee, not to be printed, but I do desire at this time to enter for printing as part of the record a synopsis of the points that I want to call attention to. If you desire that I should read this, I will do so.

Mr. QUINN. From what, Senator?

Senator LADD. From The Grain Trust Exposed, by Mr. Worrell.

Mr. QUINN. I don't think it is quite fair to put this in the record.

Senator LADD. I am not putting this in the record. I am saying that it should be available for the use of the committee.

Senator KEYES. When was that written, Senator?

Senator LADD. This was written in—it is dated September 4, 1905. It has some of the State organizations that were affiliated.

Mr. QUINN. They were not affiliated with the National.

Senator LADD. They may not have been at that time.

Mr. QUINN. We had only the Indiana and Illinois associations affiliated with us up until 1913.

Mr. MANFIELD. Mr. Chairman, might I just ask for information? Is this inquiry going to be an inquiry into the grain trade, or is it an investigation as to the activities of the Mansfield committee? If it is going to be an inquiry into the grain trade, I must ask leave to be given an opportunity of examining that book and seeing where it has anything to do with my committee.

Senator KEYES. Well, Mr. Mansfield, I don't know that I can tell you how far this committee will go. In the first place, Mr. Smith, another member of the committee, is out of Washington and unable to be with us. We started on these hearings rather hastily for the reason that there were a number of men in Washington attending the farmers' conference who might want to be heard on this resolution, and it was felt that as long as they were in the city and we could hear them at that time it might save them another trip to Washington.

Now, the resolution that we are hearing goes much further than looking into your committee, the Mansfield committee, and, as I read it, it is pretty broad. It takes up the organization of your committee, and also it says "all facts and circumstances relating thereto." That is, to your committee.

"And by the efforts of business, commercial, or other organization to defeat the cooperative marketing movement which the farmers of the country have instituted; also to inquire and ascertain whether the United States Grain Growers' (Inc.) and the farmers' program for cooperative marketing are, or are not, in the public interest."

Now, that is a pretty wide door, and the committee itself, I may say, has not discussed at all how far we will go. That has not been considered at all by the committee; so I don't know.

Senator LADD. There were two reasons why I bring this up at this time. One is that I wanted it to come up while you are here, and not later. At the second place, I wanted it to come up, because, according to the resolution we

have, it calls for investigation to determine to what extent the trade has been antagonistic to the farmers' cooperative movement; and this is, I should say, along that line. And for the further reason that it connects, as I referred to earlier, F. S. Cowell with the movement at that time, who is, as I understand it, with Bartlett, Frazier & Co. at the present time.

Mr. QUINN. I simply explain, Senator, that it was the merest incident that anyone from Bartlett, Frazier & Co. should have been at the head of that committee.

Senator LADD. Also, I think all of these things should be cleared up.

Mr. MANSFIELD. Mr. Chairman, I am not here to ask you to restrict this inquiry in any way. What I want to say is that I was asked about the conduct of the grain exchange in 1905, things that I have not been connected with, and which the members of the various exchanges have knowledge of that I do not possess. I am only telling the committee what I know about present conditions. I can not vouch for what happened before I was born or before I got into active service, but I do know what has happened since I have been in business.

Senator KEYES. Well, Mr. Mansfield, if we go back and take up matters in 1905, most of which you have no knowledge of, the committee certainly will give everybody an opportunity to be heard as to what took place in 1905. If you have any other witnesses, we want to hear them.

Mr. MANSFIELD. That is exactly the idea. If I can not answer these questions and Mr. Quinn can not answer them, and the committee considers all the facts and all the evidence that is adduced here, then it will be presupposed that all of this has been put in without contest and without contradiction, and that the evidence is, therefore, thus and so. Now, the fact of the matter is that Mr. Quinn and I are acquainted with a very limited part of the history of the grain trade.

Mr. QUINN. Only in the last 10 years.

Mr. MANSFIELD. For the past 25 years, say; and consequently it is not fair, in my estimation, to expect me to answer questions about the conditions way back there when I know nothing of them. And as far as my connection with this movement is concerned, I want to tell you, as I did before, that they know nothing about my having accepted the chairmanship of this committee until I came back and told them that they had gone and put me in as chairman.

Senator LADD. That is why I present this at this time, in order that you shall have an opportunity, or any other witnesses that want to come in may do so. I think, personally, as a member of the committee, they should have the opportunity and have a perfect right to come in.

Senator KEYES. You need have no anxiety on that point, Mr. Mansfield. We want to be perfectly fair with everybody.

Mr. QUINN. What do you propose doing? Will you call others here to answer these various charges of misconduct two decades ago?

Senator LADD. The point that I was trying to make is this: That according to the evidence that is presented this is not any new thing, but it is a growth. This calls for whatever the commercial interests are doing to antagonize or to injure the cooperative movement, as well as the United States Grain Growers, or to make an investigation of the United States Grain Growers themselves, and for that reason I suggested that every witness should have a chance to answer whatever has been given before and to know what is coming up. I want to get this, because it contains information leading up to the hearing, also of the Interstate Commerce Commission, and also of the Federal Trade Commission, which was in 1920. I grant you I would not expect one person to know all of this, but I think it is up to this committee eventually to say what shall be done and how far we shall go with this.

As Senator Keyes has already stated, one member of the committee has been away on official business, so that we have another member of the committee that we must consult; but because there were those in the city who might want to be heard on this resolution, we decided to hold hearings at this time in order to hear them, so that they would not have to come back a second time. I will withdraw that and present it at some future time.

Mr. QUINN. We would not object to your inserting it in the record if you employed some means of notifying those people who are in position to give you that information. Personally I don't see why it should be presented at all, that is, I don't see why anything that may have existed 25 years ago should have anything to do with the present attitude of the grain trade.

Senator KEYES. That is undisputed, anyway, is it not? I think you all admitted that.

Mr. QUINN. Certainly. But I can say, as secretary of the national association for 10 years, that anything of that kind would be perfectly foreign to our attitude.

Senator KEYES. If that goes into the record, we will see that you are notified and will have an opportunity to answer it if it does go in.

Mr. QUINN. Very well.

Senator LADD. That is all the questions I have.

Senator KEYES. Now, have you anyone else?

Mr. QUINN. No, sir.

(Mr. Quinn submitted the following opinion and order of the Minnesota Securities Commission:)

[State of Minnesota, State Securities Commission. In the matter of the application of the Farmers' Finance Corporation, a Delaware corporation, for an investment company license.]

ORDER DENYING APPLICATION.

Whereas it appears from the application in the above-entitled matter, and from other information in the possession of the commission, that, for the reasons stated in the memorandum attached hereto and made a part hereof, the sale of the securities for which application is made would, in the opinion of the commission, work a fraud on the purchasers thereof; Now, therefore,

It is ordered that said application be, and the same hereby is, in all things denied.

STATE SECURITIES COMMISSION.

By F. E. PEARSON, Commissioner.

Dated SEPTEMBER 2, 1921.

MEMORANDUM.

Applicant was incorporated under the laws of the State of Delaware on June 10, 1921, with an authorized capital of \$100,000,000 of preferred stock, divided into 1,000,000 shares, par value of \$100 per share, and 21 shares of common stock with no par value. Articles provide that the preferred stock entitles the holder to receive out of the net profits a noncumulative dividend at such rate as may be fixed from time to time by the board of directors, that in case of dissolution it shall be preferred over the common for par, and after the common receives the amount paid therefor, the balance to be distributed to the preferred, that it shall be redeemable at the discretion of the board of directors on three months' notice after one year from date at par or book value, whichever is the higher, that no holder of preferred stock having less than 10 per cent of the outstanding preferred shall have a right to examine the books and records of the corporation except by resolution of the board of directors, that it can be sold only after same has first been offered to the company, that it shall be novoting at all times and not entitled to notices of stockholders' meetings.

On the date the application was filed, July 28, 1921, applicant had issued its 21 shares of no par value stock to the United States Grain Growers (Inc.), a nonstock corporation formed under the laws of the State of Delaware, and had also issued 127 shares of preferred stock for cash, a total cash consideration for the stock outstanding as of the above date of \$13,300. Its assets consisted only of the proceeds from the sale of stock. The company had transacted no business and showed no profit and loss.

The following objections arise:

(1) The stock to be sold is a preferred stock in name only. Its only preference is as to assets for the par value only. This amounts to a preference in favor of \$100,000,000 of stock over 21 shares of stock for which the company received \$2,100. This is in fact no preference whatsoever and is of no value or protection. No preference is given as to earnings, it being merely entitled to a noncumulative dividend at a rate to be fixed by the board of directors, which dividend is not preferred as to earnings over and above any dividends on the common stock. It is in fact entitled only to such dividends as the board of directors may see fit to declare. There are no other preferences.

It is well settled that corporate stock is in fact "preferred" stock and rightly designated as such only when, among other things, it is preferred as to earnings over all other stock for a fixed annual cumulative dividend, and is also preferred as to assets for par and accrued dividends, and when the issuing

corporation has not tangible assets substantially in excess of the preferred stock outstanding and to be sold and/or a settled demonstrated earning capacity amply sufficient to meet the minimum dividend requirements on the preferred stock outstanding and to be sold. In the present case the stock is given no preference whatsoever as to earnings, the company has no earnings, and the preference as to assets is of no value or protection. There is, therefore, no justification for calling this stock a "preferred" stock and the offer and sale thereof as "preferred" stock is misleading and deceptive.

(2) The stock to be sold is not personally worth par, the proposed sale price, a "preferred" stock to be worth par must have, among other things, a fixed dividend rate at least equal to the current market rate of high-class securities, and the issuing company must have shown an earning capacity sufficient to meet such dividend requirements and/or that it has net tangible assets sufficient to reasonably insure the earning of such dividends in the future and pay par and accrued dividends to the preferred stockholders in case of dissolution. In the present case none of these essential features are present. The stock is therefore worth substantially less than par and the offer and sale thereof at par is misleading and deceptive.

(3) Exclusive voting power is vested in the 21 shares of no par value common stock, for which a nominal consideration of \$2,100 has been paid. No vote or control is given to the \$100,000,000 of preferred stock. The governing body is composed of 21 directors elected by the common stock. The unusual broad powers vested in the corporation by its charter are placed in a board of directors of 21 members elected exclusively by the common stock. This board may delegate all of its powers to an executive committee of no stated number, a majority of which constitutes a quorum. By its ownership of these 21 shares, the United States Grain Growers (Inc.) controls the applicant company, the members of the United States Grain Growers (Inc.) in turn controlling the election of its board of directors and, through it, the voting of the 21 shares of the Farmers' Finance Corporation common stock. Under the organization of the United States Grain Growers (Inc.), its members are farmers who are actually growing grain. In cases where a preferred stockholder of the Farmers' Finance Corporation is also a member of the United States Grain Growers (Inc.), he has some voice in the management of the Farmers' Finance Corporation, but this right is an incident to his membership in the United States Grain Growers (Inc.), and not as a stockholder of the Farmers' Finance Corporation. The plans of the applicant company, however, do not limit the sale of its preferred stock to members of the United States Grain Growers (Inc.), but contemplate and intend the sale of preferred stock to the public generally. From the showing made all or a majority of this stock may be offered and sold to nonmembers who would have no voice in the management of the corporation, thus leaving control of a vast sum of money, approximately \$100,000,000, exclusively in the hands of a corporation which has invested \$2,100 only. Placing control of a corporation of this size exclusively in a class of stock which would sustain no substantial loss in case the project proved a failure is not justified and does not assure to the purchasers of the preferred stock such management and control as will properly protect his investment, and gives to those who entirely finance the company no means of protecting themselves against bad management, dishonesty, and other causes impairing their investment.

Even assuming that the preferred stock was to be sold only to members of the United States Grain Growers (Inc.), thereby assuring actual control in the hands of the holders thereof, there is no prohibition in the articles of incorporation of the Farmers Finance Corporation against the United States Grain Growers (Inc.) selling the 21 shares of common stock to anyone it may choose, thereby taking control from the owners of the preferred stock after they had acquired same.

The resolution passed by the board of directors of the Farmers Finance Corporation providing that no dividends shall ever be paid on the common stock is of doubtful validity and may not be binding on the present holders of the common stock or subsequent purchasers thereof. This resolution does not appear to have been made a part of the contract entered into with preferred stockholders, is subject to change at any time either before or after the preferred stock is sold, and may be no protection to the preferred stockholders. It does not give the preferred stock any substantial preference as to earnings.

(4) The applying company is a subsidiary of the United States Grain Growers (Inc.), both organizations being the outgrowth of a movement which pur-

ports to be a cooperative movement among grain-growing farmers. By years of development the so-called cooperative movements in this and other States have come to have certain settled features which are deemed essential and which are regarded as present in all such movements, these features being set forth in the cooperative statutes now in effect in this State, chapter 352, General Laws of Minnesota for 1919, as amended. These essential features are not embodied in the present organization, which, on the contrary, is a close corporation with unusually broad powers and control vested entirely in 21 shares of no par value stock, and which corporation denies to the purchaser of stock all rights and privileges usually incident to the holders of stock in a cooperative organization. The offer and sale of the stock in question in connection with the movement represented by the United States Grain Growers (Inc.) and the applying company is therefore misleading and deceptive.

For the foregoing reasons the commission is of the opinion that the offer and sale of the preferred stock in question is likely to be fraudulent within the meaning of chapter 420, General Laws of Minnesota for 1917, as amended.

(Whereupon, at 3:25 o'clock p. m., the committee adjourned subject to the call of the chairman.)

INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING
LEGISLATION FOR THE RELIEF OF AGRICULTURE

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

SIXTY-SEVENTH CONGRESS

SECOND SESSION

PURSUANT TO

S. RES. 110

TO INVESTIGATE ACTIVITIES OF THE NATIONAL GRAIN
DEALERS' ASSOCIATION AND OTHER ORGANIZATIONS
ENGAGED IN COMBATING LEGISLATION FOR THE
RELIEF OF AGRICULTURE

FEBRUARY 18 AND 25, 1922

PART 2

Printed for the use of the Committee on Agriculture and Forestry



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INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING LEGISLATION FOR THE RELIEF OF AGRICULTURE.

SATURDAY, FEBRUARY 18, 1922.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met, pursuant to call, at 11.30 o'clock a. m., in room 201, Senate Office Building, Senator Henry W. Keyes presiding.
Present: Senators Keyes (chairman), Ladd, and Smith.

FURTHER TESTIMONY OF MR. JAMES E. BLACK.

Senator SMITH. You may proceed and finish your testimony, Mr. Black.
Mr. BLACK. I wish to answer some of the statements made by Messrs. Reynolds, Mansfield, Hoyne, and Quinn, who appeared here during the week following my former appearance before the committee.

Mr. Reynolds, the first witness for the opposition, in his testimony, practically confined his remarks to an article appearing in the country newspaper of Francesville, Ind., the Francesville Tribune of January 19, 1922, that was a comparative statement of the prices of a number of farm products such as corn, wheat, oats, hogs, and wool, and the prices that were paid for food products manufactured or secured from such commodities. He tried to get over the idea that such press notices appearing in the country newspapers had a tendency to make the farmer dissatisfied and discontented, and the recital of such things in rural newspapers made the farmer feel that the city man was getting an undue advantage over him.

Mr. Reynolds, in his testimony, compared the statements made in the article by the editor of the Francesville Tribune to prices that he said were in effect in this small town in Indiana at the time the article was written. Mr. Reynolds is a business man, with a number of interests in Indiana towns. He has a string of grain elevators and it is not unreasonable to expect him to know pretty well that the article did not cover Francesville. I mean by that, that he is a man of fairly broad understanding and intelligence, so there was no reason for him to come to the conclusion that the article, although written in this small town paper, referred just to prices in that community, because figures were given therein for potatoes shipped from Dakota to Michigan. Such shipments manifestly had nothing to do with Francesville, Ind. There were also figures given in the article for Texas cabbage sold in Chicago, which prices obviously had nothing to do with the prices in Francesville, Ind.

Now, the press statement did not say anywhere in it that the prices shown were representative of prices in Francesville, Ind. Just because they appeared in the local paper of that community is no indication that they were intended at all to be representative of local prices. But Mr. Reynolds in all of his comments on prices went ahead and tried to convey to the minds of this committee, it seemed to me, that the article was written as indicative of that local situation and thus were gross misstatements. So I wrote a letter to the editor of that paper asking him the basis of those figures, or if he really intended that they should be representative of Francesville. This is a small town in Pulaski County, Ind.; has a couple of grain elevators, also a mill. It is primarily a farming community. Mr. Judson Fitzpatrick, the editor of the Francesville Tribune, replied that they were not representative of Francesville; that he had taken the article out of Capper's Weekly, and had no reference to the sources of information. Therefore, the article represented figures that Capper's Weekly had probably investigated, were representative of other middle Western States, and not of Indiana at all.

That article and its effect on the farmers was all that Mr. Reynolds seemed to talk about, all the time he was testifying. It seems to me that the article and its

contents have no bearing on the subject matter under discussion here. The U. S. Grain Growers, which is the party here attacked, did not have the article written. Our organization did not send it down to that editor to put in print and circulation. So there is no reason for his dwelling at length on its contents, as though we had written it, as though our organization was the one that was trying to stir up discontent among the farmers of the community and make them dissatisfied with the prices that they were getting for their products.

It seems to me that Mr. Reynolds's chief trouble, and that of his associates in the grain business, being elevator operators of the old-line system, is that he probably was very much worried that cooperative marketing has, in the last year, made such rapid strides and such progress in its development, that every time he sees an article which seems to attack the old-line grain system, he sets it down as having been sent out by our organization, which is the largest cooperative grain marketing association not only in the United States, but in the world.

Senator SMITH. I was not here when you gave the preceding part of your testimony. You are connected with what organization?

Mr. BLACK. The U. S. Grain Growers.

Senator SMITH. Is that one of the cooperative marketing associations?

Mr. BLACK. That is a cooperative grain marketing association that was organized and incorporated last April. It is a Delaware corporation.

Senator SMITH. It is of the cooperative character?

Mr. BLACK. It is truly cooperative in character. Its membership is made up of grain growers only—actual grain producers, or owners of land who receive their income primarily in the form of grain rents.

Senator SMITH. Now, you have testified before this as to what knowledge you have of the alleged fund that was raised for the purpose of propaganda looking toward affecting the workings of the cooperative marketing system?

Mr. BLACK. Yes, sir, and the program of the Mansfield committee, which was placed in charge of spending this fund—that is, their program from the time of the Cincinnati meeting right up to about the first of the current year. The gentlemen who appeared before this committee the same day I did, Mr. Boyle, was in attendance at that Cincinnati meeting. He testified as to happenings and discussions within the meeting. My previous testimony was on the program which the Mansfield committee had in operation by means of letters, circulars, posters, and other information, that they had sent out in furtherance of the plan decided upon at the Cincinnati meeting.

Senator SMITH. Have you seen any evidence of their further attempt since this meeting, in which this alleged fund was so piled, or plans begun looking toward propaganda that would have a restricting effect upon the cooperative marketing system?

Mr. BLACK. Senator, I have placed in the record copies of letters which they have issued, originals that they mailed out to farmer-elevators, copies of posters, circular matter and other things they have distributed, that came right from their office, sent out by them, all of which was used to defeat cooperative marketing, and among which material the U. S. Grain Growers are specifically named as the subject of attack. The evidence is all there in the record, Senator.

Senator SMITH. You have additional testimony now, then to substantiate the allegation that there is a deflected propaganda to defeat cooperative marketing?

Mr. BLACK. They planned to attack the U. S. Grain Growers, and one of the other things they set out to defeat was what they termed class legislation. I am now answering the testimony which was put in by the Grain Dealers' Association representatives and shall try to bring out the points to show they have either misstated facts or attempted to convey a wrong impression.

Mr. Reynolds was their first witness, and I shall speak of him first. His testimony had no bearing on the program prepared at the Cincinnati meeting whatsoever, except his personal opinions relative to it. He dwelt almost entirely on the article in the country newspaper and seemingly tried to intimidate that the U. S. Grain Growers or other organizations of a cooperative character were behind such press information, in order to get the farmer dissatisfied with his local conditions and rebel against old-line grain dealers.

In connection with Mr. Reynolds, I just want to say we received a letter last July from a farmer who stated that he had called over the Crabs, Reynolds, Taylor people (the firm of which Mr. Reynolds is a member, and which has a number of old-line elevators through Indiana), and had received an offer from them for No. 1 wheat last June at a dollar a bushel at his station, South Elletts, Ind. At the same time that grade of wheat was selling on the Indianapolis exchange, less than 60 miles distant, at about \$1.40, showing that they were taking a pretty wide margin of safety to cover freight charges or anything else.

Senator SMITH. This wheat was bought by Mr. Reynolds himself?

Mr. BLACK. No. His firm offered this farmer a dollar a bushel for that grade of wheat, and about that time wheat was selling on the Indianapolis Exchange, only 60 miles away, for around \$1.40, and certainly that would be a very wide margin for freight and handling charges.

Senator SMITH. Have you any documentary evidence that that was offered, or just the statement of an individual?

Mr. BLACK. The statement of the farmer in his letter to our office. I have the letter here in which he said that company had made him such an offer. It just came in to us and it happened to refer to the firm that Mr. Reynolds is a member of. Such wide margins being exacted by grain dealers are more likely to create dissatisfaction among farmers than newspaper comments such as he complained of. These practices are in part a reason for the farmers' desire to market their own grain.

Senator SMITH. Have you submitted in your previous testimony here any evidence showing that the U. S. Grain Growers' Cooperative Association have been instrumental in getting a better price at given markets?

Mr. BLACK. Well, we have not marketed very much grain as yet, except in Minnesota, Senator. This is a new organization. It was only incorporated last April. The first crop the officers and directors expected to handle was the 1922 crop. The U. S. Grain Growers is just in the organization stage, and this attack has come on during the organization work in an attempt to kill us off before handling grain in considerable volume. We had not hoped that we could handle the 1921 crop. It was beyond the hope of anyone that we would handle the 1921 crop. The 1922 crop was the first full crop that this organization had any idea of handling.

Senator SMITH. Go ahead and give any testimony you have, then, to sustain the allegation that they are attempting to destroy this organization.

Mr. BLACK. The next witness for the grain dealers was a man named S. Lucas Seass, a Moultrie County, Ill., farmer.

Mr. Seass spoke relative to the activities, as he said, of the U. S. Grain Growers' solicitors in the field, and complained that the old-line grain trade was misrepresented, because some solicitor of the U. S. Grain Growers' Association had made the remark that the Chicago Board of Trade or other exchanges spread false market information. He said that was a misrepresentation of the Chicago Board of Trade. Well, we looked up Mr. Seass's record, and in view of what I have learned relative to that, I have my doubts whether such a statement was ever made or not. I have no way of proving that the statement was made, but even if it was, there seems to be very good ground for it, because at the time the Senate was considering the Capper-Tincher bill last fall—it may have been shortly after the Capper-Tincher bill was passed—the board of trade of Chicago passed a rule against the dissemination of false and misleading market reports; and within a day or two the Kansas City Board of Trade issued a similar rule. In view of the fact that these organizations at such a time passed a rule prohibiting the issuance of any false or misleading information it would look as though they either had a guilty conscience that such false market news might be going out or it was a confession of guilt on their part that it actually was going out. Nobody from our office has said anything about it other than this man whom Mr. Seass claimed spoke out in the country against it, and I do not believe that any one man's remarks back in a country town would be brought to the attention of the officials of the Chicago Board of Trade and be sufficient to bring about the new rule. I think other complaints must have been made, possibly inside the exchange itself. However, the inference is plain, misinformation relative to grain market conditions was going around through the country.

Mr. Seass stated that the U. S. Grain Growers solicitors were telling the farmers back in the country that this new organization was going to fix the price and that the farmer would get a higher price; Mr. Seass said that would be a monopoly. It would be a monopoly if the U. S. Grain Growers ever made such claims, but no authorized speaker of our organization has ever made such statements. The president of our organization has repeatedly stated in his remarks that there never was any idea that prices would be maintained, but that all grain would be sold in accordance with the law of supply and demand; that there would be no artificial means used in an attempt to maintain prices or anything of the sort. The control of the grain is within the hands of the grower himself, and he himself sets the time and place and price at which he is willing to sell. So there can be no price fixing on the part of the officers of the organization.

Mr. Seass further made some remarks about the farm bureau. One of the difficulties experienced by the witnesses for the opposition is that they get the farmers' organizations all mixed up, using the names of the organizations interchangeably and accuse one of the activities of another. He said he was a member of the farm bureau in his country and he complained about sharp practices that had been resorted to by the local farm bureau officers. He said that whenever they wanted to put certain

things across, those whom they thought would not be in line with their policy were not notified of the meeting. He said that this was not a very fair practice.

Now, I hold no brief for the farm bureau, but the facts which I have secured from letters written out to the county where Mr. Seass lives do not warrant his contention at all. From what I understand, he has been and is one of the most active politicians in the county and is always trying to get things fixed up for himself. His enmity is entirely personal. He speaks against the organization because he could not manipulate it to his own advantage. I have a letter along that line.

Mr. Mansfield, who was at the head of the grain dealers' propaganda committee, referred to Mr. Seass as one of the greatest farmers in the State of Illinois, and said he was very instrumental in helping them defeat the Lantz bills. He referred with a great deal of feeling to Mr. Seass as an honest-to-God farmer. Mr. Seass is a farmer in Moultrie County, but he is not generally considered as Mr. Mansfield would have you believe, as representative of the farmers in that community. In fact, the people of that county would not think of having him represent them any place, as a farmer from that locality. I will give you just an instance of the reason for Mr. Seass's seeming bitterness against the farm bureau. It will show he is not acting in good faith and that he appears on the side of Mr. Mansfield's conferees to seek revenge, and also because it is to his pecuniary advantage.

The man who sent me the letter, and who is familiar with all the activities in the county, writes as follows:

"I am inclosing information in regard to Mr. S. L. Seass, or Lucas Seass, as he is known here:

"It is a little difficult to get all the facts in regard to some of the matters since this happened some time ago and there are no records existing. Probably 90 per cent of the people here would not believe him under oath, but they probably would not make a statement of that kind over their own signature.

"Some little while ago, just before the Agricultural Conference, Mr. Seass tried to get appointed through the influence of Congressman Allen F. Moore as a delegate to this conference. As soon as this became known locally several prominent farmers of Mr. Moore personally protesting against Mr. Seass being appointed to this conference as they did not want that sort of a man to appear as a representative of the farmers. The Bethany Grain Co., a strong farmers' grain company, took the matter up and sent a letter signed by all the officers and directors of the company to Congressman Moore protesting against an appointment. This is an indication of his standing locally."

Mr. Seass, it would appear, is not one of the leading farmers there. He does not have the standing that the opposition, headed by Mr. Mansfield, would have you believe. He does not represent the farmers of the community at all.

Now, Mr. Seass was explaining about the activities of the farm bureau; that he was not given notice of certain things they were going to do. It seems that previous to the annual meeting for the Moultrie County Farm Bureau, in October, 1920, Mr. Seass spent a couple of weeks going through the country trying to secure proxies to vote at the annual meeting, his object being to elect a board that was opposed to the farm adviser or county agent. During his testimony Mr. Seass was very bitter against the activity of county agents. He claimed that they were doing work which they should not be doing, instead of confining their activities to teaching farmers to grow more products; that they were encouraging the farmer to organize and secure a better marketing arrangement, and helping them along a line that we all know has been indorsed not only by the Secretary of Agriculture but by President Harding himself. He seemed to think that that was beyond the province of the county agents.

Mr. Seass set out in October, 1920, to get a board selected which was opposed to the farm adviser in that county. With all his work he was able to get 15 men present at the annual meeting who voted with him, and it was understood he had some 42 proxies, and we know for a fact that he secured some of these proxies through misrepresentation. Some of the men, when they learned what his object was, came to the meeting in person to prevent their proxies being voted. His opposition to the farm adviser was due to the fact that when the local farm bureau people were trying to organize a county fair the previous winter, the farm adviser would not indorse the proposed to buy him—Mr. Seass's—tract of land, since he was asking about double what it was worth, or about \$750 an acre. The real loyal members of the bureau, after his attempt to stir up trouble at this meeting, discussed very seriously the proposition of expelling him from the farm bureau, but since the constitution did not provide any way for getting rid of an undesirable member, the matter was dropped, so that he still holds a membership in the farm bureau.

This letter goes on further to say something about Mr. Seass's integrity and veracity. I just mention this because Mr. Mansfield seemed to rely a great deal on what he called an honest-to-God farmer, and what an honest-to-God farmer had to say about the situation down in Illinois. I just want to bring out the fact that other people

down there, who are even more substantial and more representative farmers than is Mr. Seass, think a little differently concerning him.

Mr. Seass does not have any standing locally. His word is not considered good. He also has a reputation of having trouble with his tenants, having a law suit with practically every tenant he has had on the place. At the last suit with his tenant three witnesses from his neighborhood were brought into court and they testified that they would not believe Mr. Seass on oath.

Mr. Seass's standing as a farmer can best be shown by his record. He was left some 500 acres of land, all clear from indebtedness, some 25 or 30 years ago. Now, it has decreased to about 350 acres, and it is mortgaged for all that it will carry. That is the practical man whom Mr. Mansfield has speak in opposition to the U. S. Grain Growers in the State of Illinois.

Senator LADD. I asked Mr. Seass about his connection with turf racing, etc. Have you any knowledge of that, or can you throw any light on it?

Mr. BLACK. I have only this statement from the same party and as I went around to see the people in Chicago that he referred to, I could not verify it and so I have not said anything further about it.

This man said that "men who were in the race-horse business know that he was suspended by the American Trotting Registry Association for nonpayment of entry fees and other crooked deals. Whether the suspension still stands I do not know, but that can be verified by calling on Mr. F. E. Best, American Trotting Registry Association, at Chicago, Ill."

I called on Mr. Best, and was referred to a Mr. Smolinger, who had the record. Mr. Seass's name is still there as corresponding secretary for a small track down in Moultrie County. It is a small track on this same piece of land that Mr. Seass tried to sell for \$750, double its value. However, I talked to him over the phone again and called attention to the fact that his being on the books as a correspondent did not look as though Mr. Seass had been expelled, because if he had been expelled he could not hold that position. The man told me that he understood the questionable practices happened in Rockford, Ohio, 16 or 17 years ago, but he was unable to give me any definite information.

Mr. Seass was asked if he ever speculated on the Chicago Board of Trade, or ever gambled with grain. There seems to be a well-authenticated story, that about 20 years ago Mr. Seass, while in Chicago, did speculate on the Chicago Board of Trade and lost heavily. He immediately returned to the country, in Moultrie County, and had all his property transferred to his wife's name, and even to-day all the property that he is supposed to own is in his wife's name. He has no property in his own name, and never has since the time he is said to have lost heavily speculating on the board of trade, and he did that to avoid claims for debts.

The next witness whose testimony I wish to speak about is Thomas T. Hoyne, who appeared before the committee as having written some of the material that was set out through the country, particularly a pamphlet entitled "Sign Here."

Mr. Hoyne, speaking about the work that was done by the grain dealers' committee, said it was not an attack on the U. S. Grain Growers as an organization, and he stressed the point that they were not doing any attacking whatsoever; that they were just trying to familiarize the farming communities with the true facts. He referred to articles that he wrote. He certainly wrote them in a tenor and tone far removed from the idea of merely trying to familiarize the farmers with conditions. His articles are all decidedly antagonistic efforts to have the farmer believe that his leaders and spokesmen are not trying to do something for his benefit, but something for their own advantage.

Take, for instance, the article that he wrote in the Chicago Herald-Examiner of July 26, 1921, the title of which is "Warns Farmers New Marketing Pool is a Wildcat." Oh, no; that does not sound like an attack on anybody at all. He would have us believe that an article so headed was very friendly and very complimentary. The whole wording of the title bespeaks the idea he set out to get over to his readers, namely, that our organization was a fraud.

And then in the article he goes straight ahead to attack the grain growers all through it. Yet he would have you gentlemen believe, when he started to testify, that they were just going to conduct a friendly and gentlemanly educational campaign.

In another article of a series of 12 which he wrote on our organization he concludes with this melodramatic sentence, "To be continued to-morrow with startling changes made by the Grain Dealers' Association concerning the grain growers' contract which farmers are being urged to sign."

These two references show that he was very antagonistic. Coupled with his remarks before this committee, wherein he said all of his work was not in the nature of a fight or an attack, they do not blend very well together. He said he was not attacking our organization, yet none of his writings could be characterized as otherwise.

Mr. Hoyne's articles appeared in the *Herald-Examiner* late in July and early in August of last year, after Mr. Mansfield returned from the Cincinnati meeting. He doubtless had discussed this series of articles with Mr. Mansfield, because they started to appear about three weeks after the Cincinnati meeting was held. I think the first article was written about July 24. However, after he had written these articles he got into difficulty with the head of the paper, so he retired from the service of the *Herald-Examiner* and devoted his entire time and talents to the work of the Mansfield committee. Soon after he had gone over from the *Herald-Examiner* to the Mansfield committee the little pamphlet, "Sign Here," which Mr. Mansfield seemed to think very highly of and which Mr. Hoyne himself referred to quite complimentarily, came out. It was sent all through the grain country. I believe they sent between 400,000 and 500,000 copies. As Mr. Hoyne said, the book was a legal analysis of the grain growers' contract. I shall refrain from passing judgment on it, because I am not a lawyer, and will leave it to our general counsel, Mr. Thorne, when he comes down here, to point out to you gentlemen the discrepancies that appear in that pamphlet.

Mr. Hoyne described himself as a writer. I recently, in Chicago, ran across his recent venture in the literary field as set forth in a circular letter and return post card that he very lavishly distributed among the members of the Chicago Board of Trade. He is now writing, or has just finished writing, a book entitled "Speculation: Its sound principles and rules for its practice." This may be had for the modest sum of \$2.50 per copy.

Mr. Hoyne probably considers himself well qualified, by his previous experience, to write a book on the subject of speculation. He is one time, I believe, was associated with his brother, a former member of the board of trade, as a market writer for the firm. Despite Mr. Hoyne's authoritative and expert assistance in the art of profitable grain speculation, his brother's business took a tour through bankruptcy. After this little episode the Mr. Hoyne who appeared down here, T. T. Hoyne, went into newspaper work, and more recently engaged himself with Mr. Mansfield. He was discussing the matter early this week of Mr. Hoyne's new book with a man who is on the exchange floor in Chicago, and he told me that he did not believe many of the boys around there, the traders, would be interested in it or would buy a copy, because most of them had forgotten more about speculation than Mr. Hoyne will ever know.

The next speaker for the opposition was Mr. R. I. Mansfield, who was actively in charge of the work of the Grain Dealers' National Association, and was appointed, as shown, at the Cincinnati meeting, to conduct the work. In reading Mr. Mansfield's testimony over—I also heard it as he gave it here—I wish to cover various points that he raised and put into the record evidence to prove that a number of his statements are incorrect and misrepresentation of fact.

Mr. Mansfield started out saying that the grain dealers' organization felt the need of beginning this fight because they had been attacked. He obviously sought to convey the impression that they were attacked by the U. S. Grain Growers, as we are the only organization specifically named. I wish to say that at the time of the Cincinnati meeting, June 27, in Cincinnati, Mr. Mansfield stated that all through the Middle West the farmers were being solicited to enter a contract with the U. S. Grain Growers. At that time we were only conducting an organization campaign in one State. That was in North Dakota. In Illinois, the State in which Mr. Mansfield is mostly familiar, and which in his testimony he confines his remarks to primarily, there was no work done until the latter part of July. In fact, the school of instruction for solicitors was held in Chicago the third week of July, and they were sent down into the State to start securing membership subscriptions the last week of July. I have here the figures showing the first memberships that were secured in the State of Illinois, July 28. That is just one month after the Cincinnati meeting, when Mr. Mansfield said here that they were attacked, presumably, by our organization. Our organization was not doing anything in Illinois until the month after the meeting in Cincinnati, at which the plan was decided upon to attack the U. S. Grain Growers. So any attack that he told you about was not conducted by the U. S. Grain Growers. They were the first to inaugurate propaganda against us and we have never attacked their organization even up to the present.

Senator KEYES. In order to get that clear, what is that date given there? Is that the date of the return of the membership that was secured, or had solicitors been at work prior to that time?

Mr. BLACK. These are weekly reports. Senator. On July 22 the previous week there were no returns from the State of Illinois. Solicitors were not in the field.

Senator KEYES. That is what I want to know, whether anybody was in the field.

Mr. BLACK. The men had gone down into the State from the school of instruction, and on July 28 the report came in that 190 memberships had been signed up the previous week and that was July 28, when we had that report. That was a month after Mr. Mansfield's meeting in Cincinnati. So that was the first work in the Middle

West. There had been work, as I say, in North Dakota, started as early as the last of July.

Mr. Mansfield speaks of the Middle West. We were not working in the Middle West. We were not working anywhere except in North Dakota, and no other organization work was being done until work was started in Illinois and Oklahoma, the last week of July.

Senator KEYES. I don't recall Mr. Mansfield's testimony in regard to that. Did he confine his statement to your organization in his testimony?

Senator LADD. I refer you to page 108, Mr. Mansfield's testimony. He says: "Those who understood the marketing system being on one side, and those who favored a new marketing system, the United States Grain Growers, which was the one system that was doing the attacking more than all the others."

And then again the statement at the top of page 109, in which he says the same thing.

Mr. BLACK. We were the only organization mentioned as attacking the grain trade. Our cooperative marketing organization is the only one that they ever set out to attack, and they used our contract and discussed our contract. They never said anything about any other cooperative grain marketing organization; and there are some others. But they never said anything about other cooperative marketing organizations. They took our contract and discussed it and our people. We were and are the only one singled out for attack, probably because we were organized on broader lines than previous associations.

I believe the question was asked Mr. Mansfield if he could give here before your committee any documentary evidence, letter or evidence of any kind, statement; circular or anything, where we ever attacked the grain trade, and he said he could not.

Senator KEYES. I think possibly the explanation might be found in the form of the resolution itself. I mean to say your organization is specifically mentioned in the resolution, and that might be one reason why they have given particular attention to the U. S. Grain Growers. I do not know, of course, but I can see that that might be.

Mr. BLACK. Mr. Mansfield explains it this way, Senator. He went on and discussed, if you recall, certain things before the committee, about socialism and paternalism, bolshevism, and all other organizations that are in more or less disrepute, and he always came back to the U. S. Grain Growers' contract. That would convey the idea that these other undesirable movements and the U. S. Grain Growers are one and the same thing.

Senator KEYES. My point was that you speak as though your organization had been singled out, and my suggestion was that that might be accounted for by the wording of the resolution which we have before us, which says:

"Whereas it is reported that at this meeting it was determined to institute an active campaign against the U. S. Grain Growers (Inc.), a newly organized national cooperative marketing company for marketing the grain of the farmers of the country, and also to institute a campaign for defeating legislation desired by the organized farmers of the country," etc.

It does not mention any other organization at all.

Mr. BLACK. In their remarks before this committee the witnesses testify, Senator, that they were just against class legislation. They seek to convey the idea now that they were not conducting a fight against any organization. Mr. Hoyne starts out, and the first thing he says is, "We are not attacking the U. S. Grain Growers," yet in all the articles he wrote there is a discussion of our contract, and our plan of organization. At the Cincinnati meeting they did discuss our organization. Mr. Cullerton, a member of the Illinois Grain Dealers' Association, secretary of that association, set out in his own letter, over his own signature, that the plan there was an attack on the U. S. Grain Growers.

Since the resolution before us was introduced by Senator Kanyon they began to sing a different song, and in recent months, in their so-called "permanent policy" they say, "We are not attacking any farmers' organization; we just want to educate the farmer." They have lost their taste for the words "attack" and "fight," and do not like the sound of those words. Did not Mr. Maling in his testimony say that a grain dealer in Philadelphia told him he did not like the word "fight," that they were not fighting at all. They are all evidently trying to be in line with the present administration policy of disarmament. The introduction of this resolution in the Senate wrought a marked change of feeling on the part of the old line grain dealer.

Mr. Mansfield, in his testimony, went at great length into the contract. Again I will have to ask the committee to excuse me from discussing the contract, because Mr. Thorne is more familiar with it. He is one of the committee of attorneys who prepared the contract. I only wish to say that Mr. Mansfield said that he had five

different attorneys, in five different States, I believe, pass on this contract, but he did not name any of them, and I was just wondering if Mr. Hoynes was one of the five, and whether they are all the same as Mr. Hoynes, who admitted he is not a practicing attorney.

The men who passed on the contract for the U. S. Grain Growers were men who actually give cooperative marketing work their special attention, working on the preparation of contracts, and they are familiar with the cooperative system from its earliest days back in California. Two of the men of the legal committee who passed on the U. S. Grain Growers' contract were from California where cooperative marketing is farthest advanced in this country. Mr. Mansfield testified that five attorneys had passed on our contract for them, but he did not see fit to name his attorneys, and we can not tell who they are. All I know is that Mr. Thorne, who will appear before this committee is one of the attorneys who passed on the contract for the U. S. Grain Growers. Other men of reputation and authority on such matters were members of our legal committee. I just want to get a comparison between the standing and ability of the committee that passed on our contract for Mr. Mansfield, and the committee that we called in to pass on the honesty of purpose of the contract used by the U. S. Grain Growers.

Senator KEYES. As a matter of fact, you don't know who did pass on it for the Mansfield committee, and we can not very well make a comparison until we do know.

Mr. BLACK. As Mr. Mansfield told you, he had Mr. Hoynes. I don't know whether they were men who were attorneys in that line of practice or not, or whether they are men who have any knowledge of cooperative marketing laws of the various States.

Mr. Mansfield went on at great length to tell about the class of men who were engaged in soliciting work for the U. S. Grain Growers, and particularly referred to the leaders of the organization as being professional agitators and organizers. Now, I just wish to say that a man to be a member of the U. S. Grain Growers must be a farmer, a grain grower himself, otherwise he can not be an officer or director of the U. S. Grain Growers. The men who are at the head of it are farmers, and the same is true of all its members. They raise the grain themselves. They are not men who are just organizing or promoting it, and when it is promoted and organized they step out. They have their welfare tied up in it the same as any other man who becomes a member. Mr. Gustafson, a member and president of the organization, has been on the same farm for 47 years. Mr. Eckhardt, treasurer, is a grain grower. Mr. Hyde, vice president, is a grain grower in the State of Oklahoma. All the men who are directors are grain growers themselves. They have to be grain growers, or receive the greatest proportion of their income from grain, before they can become a member.

I don't see how Mr. Mansfield can say that these people are professional agitators or organizers, just men who are hired to start the organization. That is not so. They are men tied up in the business, the same as a man who is a member of it. They are not professional agitators. They are going to stay with the thing to see it successfully through. It is to their interest. They have just the same feeling and desire as the men who are out trying to get people to become members. There is no idea of putting something over on them. If this thing is not a success, they are out as much as the man back in the country. These men are all farmers, raising crops of grain, the same as anybody else. Mr. Mansfield told you that they are just professional agitators employed on salary, who have no interest in it beyond drawing a sum of money. All through his testimony Mr. Mansfield dwelt at great length on paid solicitors. He always scornfully referred to them as paid solicitors. Any organization must pay men to do its work. You could not expect men to go through the country, traveling from town to town, away from their own homes, without receiving compensation. From the compensation these men receive they must pay for their subsistence in a town. In addition to their compensation they are allowed railroad fare or other necessary traveling expenses only. After they get to a place the money they received per day has to take care of their hotel bills and pay for meals and other living expenses. There is no other money allowed them. They have to take care of themselves from the money they receive for compensation—\$10 a day.

Senator KEYES. They take out whatever is necessary for their expenses? Mr. BLACK. They get \$10 a day, and they have to live on that any place they are. They are given railroad fare going from town to town. When they get to a place they get \$10 a day, and that has got to keep them there. They have to pay their subsistence out of that \$10 a day.

Senator KEYES. \$10 a day and what else?

Mr. BLACK. \$10 a day and their railroad fare.

At the same time Mr. Mansfield is complaining about this pay of \$10 a day to our solicitors he never paid any of his speakers less than \$25 a day. Mr. Seess himself got \$25 a day. There is no references about such payments by Mr. Mansfield. That I suppose, is all right. Mr. Mansfield in speaking so disparagingly of our paying field

men would have you believe the employees of his committee donated their services. Mr. Atwood, who debated out in Kansas with Mr. Gustafson, told a farmer at that debate he was receiving \$100 a day. They make a lot of fuss about a man out in the field working all day long, securing memberships getting \$10 a day, while a speaker sent out by them gets \$20 a day, and he just speaks some place less than an hour or so during an evening and goes back to Chicago. Mr. Mansfield conveniently forgets in testifying here all about such exorbitant payments to the class of speakers he hired. He did not get the people in his committee's employ to work for nothing, and he can't expect any other organization to get people to work for nothing.

Referring to Mr. Gustafson's coming over to the U. S. Grain Growers, he went on to say that the organization which Mr. Gustafson was connected with went into the hands of a receiver. Mr. Gustafson was not here when that statement was made, so I could not answer it. I was not familiar with the situation. After Mr. Mansfield appeared here I went back to Chicago and showed Mr. Gustafson that statement. He said that it was untrue: that the organization which he left last year, the Farmers' Livestock Marketing Association in Omaha is a good, sound, and healthy financial condition. So there is nothing to Mr. Mansfield's remarks on that point. They are the leading cooperative live-stock marketing association in the city of Omaha. They do more business than any other firm there. They lead in the amount of cattle handled and the amount of business done. It is entirely untrue as to the state of the organization, that Mr. Gustafson left it a failure, and that is the reason he came over to the U. S. Grain Growers, which he is now making a failure. Mr. Mansfield and the grain dealers' association only wish such a statement was true.

Mr. Mansfield went on to point out that the U. S. Grain Growers had gone down to Springfield, the capital of the State of Illinois, at the time the Lantz bills were up, parked the senate galleries, and had hecklers on hand to annoy the speakers on the floor. The U. S. Grain Growers did not take any part in urging that legislation in Illinois whatever. They had no connection with the program. All that work was carried on and sponsored by the Illinois Agricultural Association. They were the ones who were seeking the passage of the Lantz bills.

Mr. Mansfield refers to Mr. Clifford Gregory. Mr. Gregory was a member of the committee of seventeen. The committee of seventeen completed and turned in its report to a ratification conference for adoption and then the U. S. Grain Growers were organized last April. Mr. Gregory took no part in the U. S. Grain Growers movement. He declined the nomination as a director of our organization and decided to devote all his time to his other work, as editor of the Prairie Farmer. Mr. Gregory appeared in this Springfield legislative program fight and urged strongly the passage of the Lantz bills; but in so doing he spoke as a member of the Illinois Agricultural Association. He did not represent the U. S. Grain Growers. He is not a director or officer of the U. S. Grain Growers, and he has never been a speaker for the U. S. Grain Growers. As we have previously stated, the U. S. Grain Growers was not a party to the Springfield episode. That was all carried on through the Illinois Agricultural Association.

As to hecklers, such an inference is not true. Anyone was allowed to speak, and at the end of the addresses questions were asked, the same as at any other hearing. All the witnesses were allowed to testify uninterruptedly, and there was no heckling during their remarks whatsoever.

Further along in Mr. Mansfield's testimony he said:

"At Fort Dodge the other day there was a meeting in which they discussed these very problems, and they voted down, by an overwhelming majority, a resolution favoring the U. S. Grain Growers. Mr. Kenyon's own partner spoke at that meeting in unmistakable terms as to the fallacies that were, in our very limited way, pointed out to those farmers."

In reply to that statement, I just want to read a little resolution that appeared in the Fort Dodge Messenger and Chronicle the very next day after the meeting. It is Resolution No. 9 of those adopted in the meeting.

Senator KEYES. What is the date?

Mr. BLACK. The Fort Dodge Messenger and Chronicle of Thursday, January 26 1922.

"We restate our oft repeated determination to enter the terminal markets with a farmer-owned selling agency."

"We approve of the purposes and principles upon which the United States Grain Growers, Inc., was founded, as stated at the ratification convention April 1, 1921. We recommend and urge that they bring about a practical selling and financing plan at the earliest possible date and urge that the personnel of the management be such as to guarantee economy and efficiency in operation and insure beyond any doubt that the selling organization shall be built up and controlled by farmer-owned elevators and their stockholders."

Mr. Mansfield said that the resolution recommending the U. S. Grain Growers was voted down. The above press notice entirely disproves his statement.

He also pointed out that Mr. Kenyon was referred to very slightly out there. I wish to read a resolution passed in the same meeting commending Mr. Kenyon himself: "Resolved, That the Farmers Grain Dealers' Convention assembled at Fort Dodge, Iowa, the home of our junior Senator, W. S. Kenyon, extend to him greeting and vote of thanks for his wonderful work in behalf of the farmers and grain growers and especially applaud his actions in our behalf as a member of the farm bloc of the United States Senate, for which we give our hearty approval, and we request that a copy of this resolution be published by the Fort Dodge Messenger and Chronicle."

Mr. Mansfield spoke of Mr. Kenyon's partner having spoken at that meeting in unmistakable terms as to the fallacies that they were trying to point out to those farmers. The man referred to was Mr. P. J. Price. He is not a partner of Mr. Kenyon at all. He used to be a partner of his about eight years ago. He has not been connected with Mr. Kenyon's office for the last five years. He is in partnership with some other man there, so that statement is entirely inaccurate.

Mr. Mansfield pointed out that our organization had two kinds of contract, one a five-year contract, which the farmers of Illinois were signing, and the other a one-year contract in use in the Northwest. He is entirely wrong. The contract in the Northwest which he refers to as a one-year contract was a pooling contract of the Equity Co-operative Exchange, and was not a contract offered by any solicitor or organizer for the U. S. Grain Growers. The only contract we have is the five-year contract. We have no one-year contract whatsoever. The farmers of Illinois, he said, were having a fit when they learned that the farmers of the Northwest were offered a one-year contract. No farmer was ever offered a one-year contract by the U. S. Grain Growers. The only contract we ever had was a five-year contract.

In response to a request by Senator Ladd for concrete evidence that the U. S. Grain Growers first made an attack on our organization, Mr. Mansfield gave the following evidence what he says is personal testimony on that point, and he goes back to the Springfield, Illinois, legislature fight again. As I said a few moments ago, there was no U. S. Grain Growers' representatives down there. The undeniable fact is that our organization took no part in that affair at all.

The Mr. Bill, referred to by Mr. Mansfield in connection with the Bloomington Pantograph paper—he said Mr. Bill was one of the national officers of our organization. The Mr. Bill referred to is Mr. Ed Bill, publicity man for the Illinois Agricultural Association. That is the organization which I said before was conducting and stood sponsor for the fight in Illinois. The Illinois Agricultural Association was back of these bills, and urging they be passed. This man whom he names as an officer of our organization is neither an officer nor a member of it. Of course, Mr. Mansfield and his coworkers willfully go ahead and talk of it as our organization. They disregard what are the facts or the truth. They make one stand for the other interchangeably to suit their purpose or try to prove their point.

You will probably recall how bitterly Mr. Mansfield spoke of Mr. John Hill, jr., a member of the Chicago Board of Trade. He set out here how he had gone out to insure the defeat of Mr. Hill for president of the board of trade. I want to give you just a little insight as to why he was so bitter that day. His antagonism is personal. He was ailing a grudge.

As I recall it, Mr. Mansfield appeared here about January 30, did he not?

Senator LADD. The 30th; yes.
Mr. BLACK. That was a few days after he appeared in Chicago, on January 26, when a meeting was called in the smoking room of the Board of Trade for an explanation of the new clearing-house system that was being advocated by a few members. They called a meeting "to explain the desirability of passing the amendment to the rules to be voted upon the following day and also to explain to the fullest extent possible the advantages of a clearing corporation which the passage of this amendment will permit." A large number of members were present at the meeting.

Mr. Mansfield was one of the proponents of this new clearing-house system. He and another man by the name of Arnot were strong advocates of the new system. Mr. Mansfield addressed the meeting and went on to explain that the new system was needed, that the old one was antiquated, also that the Washburn-Crosby Co. because of the system they now had, were not dealing through their exchange like they had done in previous years, therefore they ought to have this new system, etc. Everybody was supposed to ask questions, but there was not to be much discussion on the matter. When opportunity was given to ask questions, Mr. John Hill led the questioning, and before he had finished he had practically disrupted Mr. Mansfield's whole plan and put him to rout. Mansfield went in to this meeting and explained his plan. He went along with the idea of having little or no discussion of the matter. Questions, of course, might be asked. His idea was to put this system over. Mr. Hill got up and asked a few questions. He said that as far as he knew Washburn-Crosby Co. never had any houses of their own on the Board of Trade.

through which they dealt, and asked Mr. Mansfield to specifically give names and dates concerning such matters. This Mr. Mansfield could not do as the facts would not support such a contention. One question brought on others and very soon Mr. Mansfield's argument was as much full of holes. The next day, when they did vote on the proposition to change the clearing-house system, it was beaten by five votes. Mr. Mansfield then came down here from Chicago a few days later and during his remarks made an attack on Mr. Hill personally. That is all. He just wanted to get in the record here a few personalities. He was still rankling over the terrible verbal beating he received from Mr. Hill a few days before when the board of trade membership voted on the new clearing-house system.

I understand the new system would have enabled freer gambling on the board of trade. It would have been easier to speculate. It would be an easier method of handling your transactions, and there would be more gambling than possible under the present clearing house system.

You will probably recall that in my testimony I spoke of a changed policy about a month after the committee meeting was held in Cincinnati, on about July 28 or the 1st of August. They first started out by tying up the U. S. Grain Growers with the Non-Partisan League, by printing in their letters the sentences "Remember North Dakota. Remember the Non-Partisan League." They also had those two lines on their posters. I said that word had been sent out to various parts of the country to have those two lines taken off of their literature or any material going into the papers, and in reply to a direct question, I believe by Senator Ladd, Mr. Mansfield said that no wire had been sent out or no change had been made along that line whatsoever, and they had not done anything at all. They just stopped doing it by courtesy.

I wish to point out that the change came about very suddenly; that they had a meeting and very quickly decided that that thing was wrong. Now, to support that contention, I wish to call your attention to two issues of the Farmers' Dispatch for August 5, 1921.

Senator KEYES. Where is that paper published?

Mr. BLACK. At St. Paul, Minn.

In proof of the fact that the changed policy came suddenly, and instructions were sent out by wire, I have here these two papers of the same date, different runs of the press, one paper carrying the ad, with the two lines at the bottom, and another paper of the same date carrying the ad with the two lines off. I understand that they had run 20,000 of the issue when the order came to stop it. They had to stop the presses change the set up of the ad, take the two lines off, and drop the body of the ad down to get it balanced and then go on with the press run. Mr. Mansfield said that they had not sent out any word. Here is the same paper, two issues of the same date, one with the ad with the two lines on, and one with the ad with the two lines off. It looks like there had been put in an urgent order somewhere.

The advertisements referred to were as follows:

MR. FARMER, LOOK BEFORE YOU LEAP.

If a grain-pooling contract is submitted to you, do these things for your own protection:

1. Study every word.
2. Consult your lawyer, your banker, your grain dealer.
3. Ask your lawyer if it does not deprive you of all control of income from your grain crops for five years.
4. Ask if there is any limit to the handling charges which may be imposed on you by the pool.
5. Ask if the contract does not bind you absolutely for five or more years even if you find it ruinous the first year.
6. Ask if there is any assurance against heavy loss to you if the pool fails. The contract protects the pool—how does it protect you?
7. Ask your banker or your grain dealer for literature.
8. Write executive committee, Grain Dealers' National Association, 308 Western Union Building, Chicago, for free legal analysis of sample contract.

Remember North Dakota; remember the Nonpartisan League.

GRAIN DEALERS' NATIONAL ASSOCIATION

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6. Ask if there is any assurance against heavy loss to you if the pool fails. The contract protects the pool—how does it protect you?

7. Ask your banker or your grain dealer for literature.

8. Write executive committee, Grain Dealers' National Association, 308 Western Union Building, Chicago, for free legal analysis of sample contract.

GRAIN DEALERS' NATIONAL ASSOCIATION.

Senator KEYES. As I recall his testimony, he explained that inadvertently they had sent to certain sections of the country certain circulars, and when it came to his attention that they had done it, he gave orders to stop such circulars being sent to certain sections, and for some reason or other it had been overlooked by somebody, or something of that sort. That was, as I recall it, his testimony. Was not that what he said?

Mr. BLACK. That was Minnesota and the Northwest. The same thing happened in Nebraska.

Senator KEYES. Now, Mr. Black, let me ask you, have you got any telegram or letter or anything from them directly bearing on this, or are you relying upon your—

Mr. BLACK. I have an affidavit here signed before a notary public by the publisher of this paper, that they received a telegram, which I wish to put in the record. The telegram was not signed Mansfield. Mr. Mansfield said he did not send it. Of course he did not send it, personally, but this is from an advertising agency in Chicago, and from the same address as the people whose name appears on the top of some of their circular letters—the Inter-Ocean Syndicate—who were his agents, people who worked for his committee. They sent it out. Mr. Mansfield can not quibble about that proposition. This telegram was sent out by Vanderhoof & Co., of Chicago. It is contained in an affidavit signed by the editor of the paper, before a notary public, and reads as follows:

"Make every effort before inserting National Grain Dealers' ad 330 lines to strike out two bottom lines, 'remember North Dakota, remember the Non-Partisan League.' Drop body type one-half inch to fill and balance."

Following is the affidavit referred to:

ST. PAUL, MINN., February 8, 1922.

I, the undersigned, Otto B. De Haas, at the request of S. E. Elliott, field representative, department of information, United States Grain Growers, make the following statement, all of which is true and correct to the best of my knowledge and belief, as shown by records in my office:

"That I am the manager of the Farmers' Dispatch, a twice-a-week publication with a circulation of over 120,000, principally in the States of Minnesota, North Dakota, South Dakota, Wisconsin, Montana.

"That it is part of my duties to have immediate supervision over paid advertising in the said Farmers' Dispatch.

"That a few days prior to August 1, 1921, my office received from Vanderhoof & Co., (Inc.), an advertising agency located at 167 East Ontario, Chicago, Ill., an order to insert in the Farmers' Dispatch an advertisement measuring 330 lines, August 2 and August 5.

"That this advertisement started out as follows: 'Mr. Farmer: Look Before You Leap' and ended with the statement 'Remember North Dakota! Remember The Nonpartisan League—Grain Dealers' National Association.'"

"That pursuant to this order, this advertisement was printed in the Farmers' Dispatch on page 6 of the August 2, 1921, issue and on page 6 of the Friday, August 5, issue.

"That on the morning of August 4, I, acting as manager for the Farmers' Dispatch, received a night telegram, transmitted by the North American Telegraph Co., of which the following is an exact copy:

CHICAGO, ILL., August 3, 1921.

FARMERS' DISPATCH, St. Paul, Minn.:

"Make every effort before inserting National Grain Dealers' ad., 330 lines, to strike out two bottom lines. 'Remember North Dakota; remember the Nonpartisan League.' Drop body type one-half inch to fill and balance."

VANDERHOOF & CO.

"That mechanical conditions in the office at the time prevented compliance with this request, and for that reason the first 20,000 copies of the issue were printed with-

out the change. In the balance, over 90,000 copies, the change was made, and the two lines in question were eliminated.

The undersigned, personally known to me to be the Otto B. de Haas, who executed the foregoing statement, of which there are two sheets, solemnly swears that this statement is true and correct in every detail to the best of his knowledge and belief, as shown by his records.

OTTO B. DE HAAS,
Advertising Manager.

Subscribed and sworn to before me this 8th day of February, 1922.

[SEAL.]

L. B. TWEED,

Notary Public of Ramsey County, Minn.

My commission expires September 22, 1928.

There is the paper. One has the two lines in, then this telegram comes in, and before they finished the run they changed the ad, and here is the paper, of the same date, with the ad changed. So that proves the point that I made, that they changed their policy very quickly, and they did send this wire out to have those lines taken off.

The same thing happened in Nebraska, in the Nebraska Farmer. I expected a copy to be sent to me here, but it has not arrived. The telegram was seen by a representative of the U. S. Grain Growers in the State of Nebraska, saying he had seen a wire from the Grain Dealers' committee workers stating practically the same thing as this telegram here. The wording may have been changed a little, but the thought was the same, to get these two lines off. The wire was addressed to the Nebraska Farmer. The Nebraska Farmer, I believe, had a different set-up, and in taking the two lines off they had to chisel them off, and it made a smudge in the ad, showing that originally something was in the set up to be run. If I receive a copy of the paper I would like to have the privilege of putting it in, and the telegram also.

Another matter that seemed to be dwelt on at great length by Mr. Mansfield all through his testimony is the honesty of the individual members of the Grain Dealers' National Association in the handling of grain; that their people were so honest and reliable that they could take chances on each other as members of the trade. I just wish to call attention to a couple of clippings that I have here concerning some of the members of the National Grain Dealers' Association.

The Grain Dealers' Association issues a book called Who is Who in the Grain Trade, giving the names of all the firms and individuals who are members of their organization, and it starts off at the head of that list with a little heading like this: "All of our direct and affiliated members observe contracts. There may be others as good as these, but why take a chance?"

Under Chicago they have the Armour Grain Co. named, and under St. Louis and Omaha they have the name of Smith, Vincent & Co.

I have here a clipping from the Cooperative Managers' Journal of Chicago, December 10, 1921, and it is headed "Findings of the Secretary of Agriculture show that Smith, Vincent & Co. violate the U. S. Grain Standards act." The clipping reads as follows:

"Findings of the Secretary of Agriculture, issued November 15, 1921, show a violation of section 5 of the United States grain standards act on the part of Smith, Vincent & Co., St. Louis, Mo. The Secretary found that this company purchased four cars of No. 2 yellow corn at Omaha, Neb., and that when the corn arrived at St. Louis it was graded by licensed inspectors as No. 6 yellow. The findings further showed that, although having notice of this fact, Smith, Vincent & Co. sold four cars of No. 2 yellow corn to a dealer in Memphis on the basis of Omaha official weights and grade, and thereupon shipped the four cars of corn referred to, invoicing them at contract price for No. 2 yellow corn, and failed to advise their consignees that the corn had been graded No. 6 yellow at St. Louis."

"That is one of those firms that always observe their contracts, members of the Grain Dealers National Association. Now, that is the old-line system.

I have another article here. Armour Grain Co. is named in that same high-grade list of members who live up to their contracts. This is a clipping from the Chicago Journal of Commerce, of May 13, 1921. It is headed "Armour Grain Co. suspended from Exchange."

"The Armour Grain Co., of Chicago, was suspended from the New York Produce Exchange for three months, the Erie Elevator Co., also of New York, indefinitely, by the managers of the exchange, yesterday, following an investigation into charges that grain shipped to Germany last fall did not come up to the grade purchased from the handlers in this country.

"The ruling of the governors as posted on the New York Produce Exchange and telegraphed to this city, reads:

"Pursuant to provisions of section 36 of the by-laws, the following corporations are forbidden representation on the floor of the New York Produce Exchange, as follows: The Erie Co., at the pleasure of the board; the Brainard Commission Co., 12 months; the Armour Grain Co., 3 months; and the Lewis Proctor Co. (Inc.), 3 months."

"Following the receipt of the news from New York, the Armour Grain Co. here issued the following statement:

"The acts charged were those of employees of our New York subsidiary. George Marcy, president of the Armour Grain Co., is now out of the city investigating the entire matter. On his return, when in possession of all the facts, Mr. Marcy will make a statement."

A press notice in the Chicago Evening Journal of May 29, 1920, showed that the Armour Grain Co. was again in trouble. The Armour Grain Co. pleaded guilty to adulterating oats with barley.

"The Armour Grain Co. was fined \$1,050 to-day by Federal Judge Carpenter for violation of the Pure Food Act.

"The fine is the result of a shipment of 35 cars of oats to a foreign country during 1914. The oats were intercepted at Baltimore, Md. Government investigators declared the oats were adulterated with barley.

"Charles J. Faulkner, attorney for the Armour interests, entered a plea of guilty for the company. Assistant District Attorney J. A. Miller prosecuted the case." "This is one of the companies that always live up to their contracts, as set out by Mr. Quinn in his organization's book.

In answer to a question by Senator Ladd as to the elevator situation in Chicago at the present time, Mr. Mansfield says everything is all right. "The elevator situation in Chicago is pointed out in this pamphlet issued by Mr. John Hill, called 'The Octopus,' as one of the four evils in the grain trade. The Bartlett Fraser Co., by whom Mr. Mansfield is employed, is a part of the so-called Elevator Trust of Chicago. This may be another reason for Mr. Mansfield's attack on Mr. Hill.

I want to say only a few words about Mr. Quinn's testimony. He was the last witness who appeared for the opposition. The whole trend of his remarks—well, I will not say the whole of his remarks, but a considerable portion of his remarks deals with the fight at Springfield. All the witnesses get back to the Illinois situation. It seems to be an obsession with them. Mr. Quinn is complaining about the two bills there, the Lantz bills, driving the grain trade out of business, the fact that the board of trade would have to close up shop or have to move to Canada, Winnipeg, or some place else. All that silly publicity provoked a write-up in a market letter by one of the members of the Chicago Board of Trade, which referred in a sarcastic way to all this senseless talk of people like Mr. Mansfield, and others who said the board of trade could not operate if the Lantz bills had been passed. The market letter reads as follows:

"We have always wanted to write an 'essay' on 'senseless gabble and chatter' for the reason that a very large percentage of human troubles comes from too much idle, distorted, and garbled discussion. The moment seems opportune. On every hand we are now hearing matchless folders about closing the Chicago Board of Trade, shutting its doors, moving it to Gary, Milwaukee, Liverpool, Kamchatka, or Timbuctoo. Newspapers are hawking and harping it as though this institution were an illegal organization in the habit of gathering its skirts, moving from place to place, in order to escape the 'clutches of the law.'"

"Numerous editorials are being written by men who know less about prevailing conditions in the grain trade than the headhunters of Horne know about Einstein's new doctrine of relativity. Men and women of all intellectual levels are discussing the 'moving bee.' There is nothing constructive or discernible about all this stuff. Every sensible man with both feet on the ground knows it is childish and assinine. It doesn't look well to either producer or consumer. They consider it in the light of bombast and rant. This board of trade will be functioning here when every man demands of modern requirements. But it will be here, growing better, stronger, more useful, as the generations come and go. More and more as time passes it will become a greater factor in the commercial development of the Nation and the economic distribution of the grain crop of the world. And right now less nonsensical talk and chicken-dee behavior will give us a better standing among dependable people, whose support is vital to the welfare of the exchange."

This was just a slap at those people who appeared in Springfield and asserted that if the bills had gone through they could not operate. There is nothing to the argument at all. The Chicago Board of Trade went through certain Illinois counties and brought down to the capitol a lot of farmers. They admit they brought down farmers and paid their fares down there, to protect the farmers' marketing system. The farmers mar-

keting system was not threatened in any way whatsoever, but the marketing system of the so-called farmer and wire house or small town bucket shop habitues was threatened. The Lantz bills would have eliminated or diminished a lot of the legitimate phases of the present method of trading on the board of trade, but the marketing of the actual grain would not have been adversely affected by the proposed legislation.

Mr. Quinn said that the Cincinnati meeting was very open, held on the first floor, I believe, in a diningroom opening on to the lobby of the Hotel Sinton. I stopped there on my way back to Chicago and went to the manager's office, when I interviewed the clerk who has the book in which the places of meeting in the hotel are kept as a matter of record. I asked about this meeting held the previous June. The record of the meeting showed the meeting of the Grain Dealers' National Association was held on the mezzanine floor of the hotel in one of the parlors along a corridor leading off the manager's office. To reach the room, one went up about four steps, through a curtained doorway into a corridor off which parlors were located. I asked if this was the place where the grain dealers meeting was held and I was informed it was in fact in the parlor. According to Mr. Quinn the meeting was more or less open and public, held on the first floor of the hotel, off the lobby. This was a misstatement because the meeting was in a room on the second floor. It was not readily accessible nor even semi-public. It was in a very quiet part of the hotel. There was no open place around the meeting room whatsoever.

Mr. Quinn spoke about the meeting being open, and reporters being in and out all day. Of course, I was not there, and I have no way of knowing whether reporters were there or not as stated but Mr. Boyle, who was a witness before this committee, was there. He saw no reporters there. He left shortly before the meeting was over. He got in touch with some reporter and sent him around there. Mr. Quinn said reporters were in and out all day. The meeting, as I understand, started about noon, yet, as far as I can find out, none of the evening papers, which would not be on the street until 3 or 4 o'clock, had a scrap of news about that meeting. The only articles that appeared were in the two morning papers the following day. So it appeared to me that the news of the meeting was either conveyed late that night through Mr. Quinn, at the meeting, giving them information, or as a result of Mr. Boyle's having advised a newspaper to send a reporter around to the hotel to get the information.

Senator Keyes. Do you think it is important whether they had the meeting on the second floor or the first floor, or whether it was secret or open? I suppose those men had a perfect right to meet in their own way.

Mr. BLACK. Surely, but the point I wish to make is that the witnesses for the other side would have you believe that they were holding an open meeting, while these facts tend to prove an entirely opposite view. They got into hot water from the start because wrong publicity was given to the meeting; that is, wrong as far as it gave out parts they would rather have concealed. There was no such publicity as given to the meeting, so far as I understand. That is why they were not able to collect the full amount of the \$250,000 fund. They were only able to collect \$62,000, because they got off on the wrong foot: because the reporter who got in there featured the \$250,000 fund, which fact they didn't care to have spread broadcast throughout the country. I say it was not intended for everybody to know about such a fund. They did not intend any farmer representative to be there. Mr. Boyle was not expected to be there. He, at least, said he was not. I think the idea of secrecy in conducting the meeting is important to this extent, that these grain dealers and associates did not want the farmer organizations to know the intimate details of what was discussed during the session.

The statement was made by Mr. Quinn that Mr. Mansfield was made the head of the grain dealers' special committee, because Mr. Mansfield had been down at Springfield and had a lot of experience in handling the Springfield fight; therefore he was a capable man to handle this fight for the National Grain Dealers. Mr. Mansfield did take a prominent part in the Springfield affair. He paid the bills there, signed for meal tickets, talked a lot to his crowd of so-called farmers, had their picture taken, said that their "spiritual" wants were amply provided for. Mr. Mansfield in Springfield took an active part physically. Mr. Quinn must have been misinformed as to who actually conducted the fight for the grain exchanges in Springfield, for in selecting Mr. Mansfield to head the grain dealers' work he mistook lungs for brains and got the wrong man. However, whether this meeting in Cincinnati was open or closed is important merely to the extent above mentioned. That is the reason I wanted to get the facts. That is the reason I went there.

Senator KEYES. I think there is no question but what they held the meeting, and I think it is in evidence that they testified while they were there it was proposed to raise a fund of \$250,000. There is no question about that, as far as I can see.

Mr. BLACK. Up to that point, yes; but beyond that point publicity was not to be given to it. They did not get the publicity that they wanted, because, as Mr. Quinn said, the reporter was impressed entirely with the idea that they were going to raise a \$250,000 fund. They did not want the publicity given to that. I think, as Mr. Boyle said, they were endeavoring to create factions out in the country, fix up the doubting Thomases so they would understand and see the light, and all that kind of information was expected to be known only to those who took part in this meeting. That is why I am dwelling at length on the general character of the meeting. I don't think they ever intended the meeting should have received the widespread publicity of the kind that it did receive. That is the point. If it was a conspiracy, certainly a conspiracy is not made out in the open, where everybody will know about it.

Senator LADD. I have here an editorial that just recently appeared in Wallace's Farmer of February 10, 1922, which refers to the Mansfield committee, and I ask that be incorporated in the record to show how they had changed their policy.

(The editorial referred to is here printed in full, as follows:)

"EDUCATING THE FARMER."

"The Grain Dealers' National Association is collecting another fund. This time it is not going to be used to fight the farmer: it is to be used to educate him. This is what President Clement says, and 'Who's Who in the Grain Trade' backs him up."

"The money, let it be understood, is not to be used to fight the farmers," says this paper. "It is not necessary to state to the representatives of the association that 'fighting the farmers' is about as far removed from the minds of the officers of this organization as day is from night. Fighting the farmers would be about as assume a policy on the part of the legitimate grain dealers of the country as could well be imagined."

"How times have changed! Last year the farmers were to be chastised with scorpions; but this year it seems that nothing stronger than a slap on the wrist is to be permitted. We hope that special notice of this change in policy will be mailed to Mr. Mansfield, manager of last year's campaign. He will be interested."

"Experience keeps a dear school, but the grain trade will learn in no other. The attempts to bludgeon the cooperative movement to death failed miserably last year. This year, therefore, a new method is to be tried. 'Money is to be used to tell the farmers the facts about the present distributive system.' This is the announcement which the backers of the plan are making."

"If they stick to this program, we can all endorse it. Facts about the grain trade are what every farmer wants. No one is in a better position to supply these facts than a group of grain dealers. All the facts are needed, however, and not merely a few carefully selected and prepared for agricultural consumption. Unfortunately, there is very little chance of getting anything more than some carefully hand-picked data. The probabilities are that the grain trade will give us all the facts they can find that will show that the present system of marketing is the best the human brain can devise. There they will stop."

"This sort of thing is what the grain dealers seem to mean when they talk about education. Actually, of course, it is simply another form of warfare on the cooperative movement. The grain men have changed their tactics; they have not changed their purpose."

Mr. BLACK. May I say one thing further about the Grain Dealer Committee's change in policy? After the work by Mr. Mansfield was stopped, and his committee announced it was thorough with its work, there was a change in policy whereby an understanding was reached for the various grain exchanges themselves to get out information. I have a booklet here from St. Paul, presumably published by Charles Kenning, and generally known as Kenning's booklet, in which he goes on to endorse the present marketing system. He gets out this book as though he is an officer of the Farmer Grain Dealers' Association. It is a well known fact to all the people up through there that Mr. Kenning could not finance the issuance of this book. Yet he tells the farmers they can get copies and all they want—it makes no difference. I have a letter here from our correspondent in Nebraska. He says: "As I pointed out in a recent memorandum, Kenning said at Wakefield that he gave his printer permission to print booklets for anybody who wanted them, and that it resulted in a very small expense for him. I wish to place in the record an affidavit to that effect."

(The affidavit above referred to is as follows:)

AFFIDAVIT.

We, the undersigned, J. A. Crawford, of Beardsley, Kans., and F. M. Russell, of Lincoln, Nebr., do hereby solemnly swear that the following is a true and correct statement of facts, to the best of our belief and knowledge.

That on February 4, 1922, in the auditorium at Wakefield, Nebr., J. A. Crawford, of Beardsley, Kans., and Charles Kenning, of Bird Island, Minn., president of the Minnesota Farmers Grain Dealers' Association, discussed the merits and principles of the U. S. Grain Growers (Inc.), in which said J. A. Crawford supported the U. S. Grain Growers.

That during the course of the discussion said J. A. Crawford made the statement that he had seen a booklet compiled by the said Charles Kenning of questions and answers on the plan of the U. S. Grain Growers, in which he opposed the plan and that the container of said booklet was postmarked "Minneapolis," and not Bird Island, the home town of said Charles Kenning, and said J. A. Crawford inferred that the booklet was sent out by interests unfriendly to the U. S. Grain Growers (Inc.), or some one other than said Charles Kenning.

That in replying to the statements made by said J. A. Crawford, relative to who sent out this booklet, said Charles Kenning admitted that he gave the printer of said booklet permission to print them for "anybody who might want them," and by so doing the cost to him "was practically nothing."

J. A. CRAWFORD.
F. M. RUSSELL.

Subscribed and sworn to before me this 20th day of February, 1922.

[SEAL.]

LACRA NEHRBAS,
Notary Public.

Mr. BLACK. People who know Mr. Kenning say he could not finance this thing at all. The impression up around Minneapolis and St. Paul is that the Chamber of Commerce of Minneapolis is paying for the printing of this book.

A book of very similar character is appearing in Nebraska. It is supposed to be written by a man named C. Vincent, a farmer, a man who in years gone by organized farmers' cooperative elevators. This book is going out under his name, and it is commonly reported in Nebraska that the Omaha Exchange is getting them out.

Mr. Hargis, of the Kansas City Board of Trade, has also issued literature on behalf of that organization.

It looks as though the policy has been changed, and instead of having a centralized committee to conduct a national campaign, the leading grain exchanges are carrying on a little campaign of their own. Among other schemes, they are getting out those booklets, presumably written by farmers for farmers, and they are all written with an idea of breaking up the farmers' cooperative marketing system; getting the farmer to depend only upon the grain exchanges, instead of joining and endorsing the cooperative grain marketing movement in which he will look after the marketing of his products himself.

To sum up, I believe that, both from the testimony of witnesses for the other side and from information filed by ourselves, we have shown your committee the following points:

1. That there was a meeting called in Cincinnati last June by the Grain Dealers' National Association, to which meeting there was invited and present representatives of some other business groups, all of whom were actively opposed, or supposed to be opposed, to the growth and development of the cooperative movements among the farming population of this country in connection with the marketing of their products.
2. That in furtherance of the discussion, program, and resolutions of the Cincinnati meeting a campaign of attack was inaugurated by said grain dealers' special executive committee, headed by Mr. R. I. Mansfield, to defeat and discredit the organization work of the U. S. Grain Growers (Inc.), a farmer-owned and farmer-controlled cooperative grain-marketing association, that had just been started in one of the Northwestern grain States.
3. That this grain dealers' special committee have issued and distributed widely in the States of the grain belt circular letters, printed pamphlets, press statements, and posters, all of which were conceived, written, and designed to raise doubt among the grain producers as to the honesty, integrity, and ability of their farm leaders, who were devoting their time and energy in establishing a grain-marketing machinery that would not only be in direct control of the farmers but created in the interest of the grain producers, being mindful, however, at all times of the rights of the consumers of such grain products.

4. That members of this special committee for the grain dealers and certain persons employed by such committee have made addresses and participated in debates in various farming communities, in the course of which they have made insinuations and false accusations, stated half truths or made deliberate misrepresentation of facts, with the intent and purpose of creating a feeling of distrust and disloyalty among members of various farmers' organizations, arouse personal jealousies, and, in short, break up the farming population into arguing, wrangling factions that would become so bitter in their relations to each other as to thwart any efforts among farm leaders of establishing amicable working arrangements and machinery for marketing the farmers' grain cooperatively.

5. That the members of this grain dealers' special executive committee and employees thereof, in testifying before this Senate committee, have made statements on certain topics that have since been disproved unquestionably by means of bona fide copies of newspapers, resolutions, statements, and affidavits filed by witnesses for the U. S. Grain Growers.

6. That the activities of the grain dealers were not simply intended to familiarize or "educate" the farmer as to certain facts, despite the soft-sounding words or honeyed phrases they now resort to in discussing the purposes of their campaign last year, but instead was a deliberate, vigorous, malicious, and despicable attempt not only to cripple but totally destroy our farmer cooperative grain-marketing plan, because of the fact that they felt we were going to really be a power in the distribution of the grain of this country, since our organization was constructed along national lines instead of a community or State basis, and further because the members of the present grain-marketing system were unwilling for the farmer to have any voice in the handling of his grain products beyond the production state or in marketing them beyond the local county elevator station.

7. That the program inaugurated by the grain dealers' special committee was not designed to help or be of real benefit to the farmer grain producers either financially, economically, or otherwise, but was merely a self-interested scheme on their part to prevent the farmers from unanimously agreeing to become members of the cooperative grain-marketing plan of the U. S. Grain Growers, and if successful in defeating the growth and development of our organization they would still have control of the distribution and marketing of grain and make the farmers pay dearly for having tried to overthrow those interests who have controlled grain marketing in this country for many years.

8. That the attack on the work being done by the county agents or farm advisors is just another medium for them to defeat the growth of a farmer cooperative marketing agency, because they complain bitterly of these advisors not confining themselves to showing the farmers how to produce more crops instead of how to dispose of the crops he does produce at a price commensurate somewhat with cost of production, etc., or at a more stabilized price throughout the year. The trouble has been, not lack of production, for the farmer has done his duty in that direction, but in marketing such production advantageously. The grain dealers are adverse to the idea of the farmer ever thinking of handling his products through the marketing period on to his customers, as is done by all other lines of successful business, and on this account single out the county farm advisors for attack, while as a matter of fact these farm advisors are doing work that has the support and whole-hearted indorsement of Secretary of Agriculture Wallace and President Harding.

9. That the work done during the past year by the Grain Dealers' Association subsequent to the Cincinnati meeting in June, was in reality no new line of endeavor, because the record of the Grain Dealers' National Association and of the State Grain Dealers' Associations affiliated or federated with it for many years past are replete with instances of attempts on their part to defeat any movements among the grain producers of this country to better their condition and get a grain-marketing system in which the producers themselves had full confidence. There have been Government hearings, Federal and State, in which testimony has been given under oath showing agreements by old-line grain dealers, elevators, members of various grain exchanges, etc., to establish prices above which they would not bid for farmers' grain, or showing that there had been a division of territory, or showing a program of overbidding at selected local points in order to deflect the sale of grain from a farmer elevator to an old-line elevator, and then, after the farmer elevator had been put out of business, any losses incurred to bring about such a result were speedily made up by low bids for grain by the operator of the old-line elevator or elevators remaining. This contention on the part of the gentlemen who appeared here that they were not unfriendly to the farmer and the farmer's interests, but, on the contrary, that his welfare was their welfare, does not stand close scrutiny. The record of this association is indelibly written in many country points through the last 20 to 30 years, and many

a farmer's enterprise and farmer's program that attempted to secure for him better grain-marketing conditions has been struck down, blighted, and destroyed by persons or agencies who were a part of this old-line grain dealer movement. Obviously this grain-dealer association was started years ago, and its policy has never been changed, to secure benefits and advantages for the members of such association. These interests have ever been in conflict with those of the farmer cooperatives and they can not show any instances of having carried on any program in the past to help a real farmer's cooperative elevator. They contend now that they are friendly to the farmer movement, but such a contention is hardly tenable in view of the campaign they have been carrying on against our farmer organization, and such opposition is to be expected when one considers the interests involved in their membership. Our people are not misled by their recent public utterances on this matter. We have not forgotten the old story of Red Riding Hood and how the wolf attempted to make the little girl believe he was her grandmother simply by donning the grandmother's wrapper and kerchief, and endeavoring to soften its gruff voice and hide its sharp claws.

10. That our organization is in the public interest in that we are endeavoring to make a shorter route to market and eliminate all unnecessary handling charges—note that I do not claim to cut out all middlemen because we are fully aware that certain middlemen perform and always have performed a legitimate and economically necessary function. In so reducing the number of persons through whom grain must pass in order to reach the consumer we are striving to reduce the amount of toll on such grain and secure for the producer a larger share of the sales price. In returning to the producer more for his product, but only a return based on the law of supply and demand in the markets of this country or abroad, we develop a more contented farming class, the farmer will feel that there are no artificial barriers coming in between the price he receives and the price for which his product is finally sold, and with such a condition of mind the farmers devote themselves more enthusiastically to production instead of being disgruntled and of the opinion that others who perform no necessary economic service are simply making a very good living off the farmers' efforts. In addition, by securing for the farmer all that his product is worth, we increase the buying power of that important group of our nation's population. Increased buying power among such a large number of people means increased manufacturing and industry and any nation that has a healthy, satisfied, and contented agricultural population is assured of success and will have a feeling of well-being among its entire population.

Senator LADD. That is all?

Senator KEYES. Is that all?

Senator LADD. We will adjourn subject to call.

(Whereupon at 1.15 o'clock p. m. the hearing was adjourned, subject to call of the Chair.)

INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING LEGISLATION FOR THE RELIEF OF AGRICULTURE.

SATURDAY, FEBRUARY 25, 1922.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met, pursuant to call, at 11 o'clock a. m., in room 201, Senate Office Building, Senator Henry W. Keyes presiding.

Present: Senators Keyes (chairman), Ladd, and Smith.

Senator LADD. Mr. Chairman, I would like to have inserted a letter from Mr. Anderson in reply to a telegram that I sent in regard to the method of disposing of grain through the chamber of commerce, charged by Mr. Mansfield. This is a reply to that.

Senator KEYES. It may be inserted in the record.

(The letter referred to is as follows:)

ST. PAUL, MINN., January 31, 1922.

Hon. E. F. LADD,

United States Senate, Washington, D. C.

DEAR SIR: We confirm receipt of your telegram received this morning, reading as follows:

"Give amount of grain handled by Equity Co-Operative Exchange past year. How much of this was sold through chamber of commerce or other grain exchanges and how much through other channels?"

To this wire we replied briefly with the following message, which, however, I feel may not have explained the matter fully:

"Equity handled 3,008 carloads grain St. Paul and 3,045 Superior-Duluth calendar year 1921. Total, 8,500,000 bushels. None sold through chamber of commerce. We sell directly to millers and other buyers, charging one commission, and not through any other agency in any instance. Letter following." I wish to emphasize that the Equity Co-Operative Exchange does not sell grain "through the chamber of commerce." The Equity Co-Operative Exchange is a member of the St. Paul Grain Exchange, which is an association of grain merchants similar in general respects to the Minneapolis Chamber of Commerce, the Chicago Board of Trade, the Duluth Board of Trade, and others.

The grain we receive on consignment must, of course, be sold on an open market, and we sell our St. Paul and Minneapolis receipts through the St. Paul Grain Exchange, housed in the Globe Building, Fourth and Cedar Streets, St. Paul, Minn. Our grain at the head of the Lakes is all sold directly to exporters except occasionally a car which may go to a local or near-by mill.

I am not sure what prompted the particular wording of your message, but assuming that you are under the impression that the Equity Co-Operative Exchange does sell grain through the Minneapolis Chamber of Commerce, I wish to explain the way in which our grain is sold, which is as follows: Grain is consigned to the Equity Co-Operative Exchange from various individual farmers and country elevators; part of which comes directly to St. Paul and is sold by us on the St. Paul Grain Exchange to the highest bidders. Some of these bidders, in addition to being members of the St. Paul Grain Exchange or dealers here, are also members of the Minneapolis Chamber of Commerce and perhaps of other grain exchanges. We sell to the highest bidder, regardless of whether he may have an affiliation with the Minneapolis Chamber of Commerce or not, and, of course, we are unable, and do not attempt to control the destination of grain which is bought from us, most of

which is consigned to out-of-town buyers, for instance, mills; some of which goes to mills in Minneapolis, and it is possible that it may go back to the chamber of commerce and be traded in there just as thousands of cars a year are traded around from one member of the Minneapolis Chamber of Commerce to another. Of course, you understand that some cars may be sold a half dozen times on the Minneapolis Chamber of Commerce, and that regardless of whether it has first come to the Equity Co-operative Exchange or directed to some chamber of commerce firm.

We also sell a considerable volume of our grain directly to country mills ourselves and some of these country mills are members of the chamber of commerce, though, of course, you understand that we are not selling our grain to or through the chamber of commerce.

Your message may possibly have been prompted by the statement frequently made that the grain coming to the Equity Co-operative Exchange "pays two commissions." This is entirely erroneous. It is just as true that grain coming to chamber of commerce firms pays two commissions. We charge one commission to the consignor for selling his grain for him and we sell as much as possible directly to consumers, but when dealers offer a bigger price than consumers they get the grain.

You ask as to the amount of grain handled by the Equity Co-operative Exchange during the past year. We find, estimating rather closely, but without taking the time to go into our books for minute details, that at St. Paul we handled during the calendar year of 1921, 3,008 carloads, and at Superior 3,045 carloads; a total of 6,053 carloads; and estimating an average of 1,400 bushels of grain to the carload (which will run from 1,300 in wheat to 2,000 in oats) we find that we have a total of 8,474,000 bushels of grain handled for the calendar year 1921.

Upon this grain the Equity Co-operative Exchange received one commission at the regular going rates, and much of this grain went directly to country mills, while some of it went into the hands of dealers.

In conclusion, please let me emphasize again that the Equity Co-operative Exchange does not sell any grain through the Minneapolis Chamber of Commerce. We do not engage or need the service of any commission company.

If there still is any question I trust you will give us a chance to supply you the information lacking.

Yours, very truly,

EQUITY CO-OPERATIVE EXCHANGE,
J. M. ANDERSON, President.

FURTHER TESTIMONY OF MR. CLIFFORD THORNE.

Mr. THORNE. My purpose in appearing here is chiefly to answer any questions that you gentlemen might want to ask. I understand that several statements have been made in regard to contracts of the U. S. Grain Growers (Inc.), by gentlemen appearing before the committee. I understand also that you have heard from the president of that company and one or more of its employees and representatives, and I also appeared here briefly before you one day.

It is not for the purpose of discussing the policy of the company that I come before you, because that has been fully presented. If there have been statements made concerning these contracts, however, that have raised any question in your minds, I shall be very pleased to reply.

Senator KEYES. So far as I am concerned, I have not any questions to ask in regard to the contracts, Mr. Thorne. Perhaps Senator Ladd or Senator Smith may desire to question you.

Senator LADD. The question is not very clear in my mind just now, as to just what I would like to get from Mr. Thorne. I think Mr. Thorne can better state those points himself.

Senator SMITH. I think there were some questions raised, from reading the testimony. There was a question raised as to these contracts being lengthy and entirely misleading to those who were asked to sign.

Senator LADD. That was one question, and another was that part of the contract only was really put before the person who was expected to sign it.

Senator SMITH. And it was turning over to the U. S. Grain Growers for a period of five years all the farmers' interests in the matter, leaving it entirely to the discretion of this concern as to what they would do.

Senator LADD. The statement was that they were using different contracts in different parts of the country—a five-year contract in Illinois and a one-year contract in the Northwest.

Senator KEYES. The five-year contract, as I recall it, was a pooling contract, was it not?

Mr. THORNE. I will explain that.

Senator KEYES. I wish you would.

Mr. THORNE. As I gather from your remarks, one suggestion made by these gentlemen relates to the length of the contract, another that it is misleading and not all was presented; a third that the grower gives away the use or control over his product for a period of five years; and, fourth, that different contracts were used in different territories.

Does that summarize the questions?

Senator SMITH. I think that is one impression I had. Of course, I am not familiar with this grain proposition, but that is the impression I had from reading the testimony.

Mr. THORNE. First, as to the length.

We could very easily draft a contract between the grower and the company covering a dozen lines. If that policy were adopted, the inevitable result would be innumerable subjects of controversy constantly arising, precipitating costly litigation and confusion. Our hope was to anticipate most of the controversies that might arise and settle those controversies justly. With that in view we went to very great length in ascertaining the experience of other cooperative companies throughout the entire country. You will remember that I had with me when I was here before a file of some 30 or 40 contracts that had been used by cooperative companies from Massachusetts and New York to the Pacific coast.

We did not stop with an analysis of existing cooperative contracts, but we also called before us experts, like the general manager of the California Fruit Growers' Exchange, of California, like a conference with the Milwaukee people's attorney in New York, etc. The result of this investigation is the contract which I again present to you covering in small type four sheets, consisting of seven pages.

Senator KEYES. That is already in the record?

Mr. THORNE. Yes, sir; I don't want to reintroduce it. I was describing the manner of its print.

So far as keeping anything from the grower is concerned, that is entirely untrue. Both the elevator contract and growers' contract are bound together, and the grower, in signing the contract, has before him the elevator contract at the same time. So far as the grower himself reading it carefully, of course that inevitably varies with the man. Please remember that not one of the committee drafting this contract had any object to gain except creating an efficient machine or institution that the grower himself could operate. No man on the committee, no man on the board of directors, is to profit by the holding of stock or the control of the institution other than as a paid employee or a customer of the institution. In other words, it is not a contract made by a group of grain men independent of a farmer, but it is a contract prepared by the farmers themselves, with the very best assistance that they could obtain aside from one of their own number.

I related to you before the character of the men that were appointed upon the committee of attorneys to finally pass upon it. Aside from myself none of the attorneys was connected with the committee of seventeen. They were all practitioners—two from cooperative concerns on the Pacific coast; one a former attorney of Kansas City and former judge on the circuit bench of Kansas City; another former Solicitor General of the United States; and another a member of the law faculty of the State University of Nebraska, and appointed on two commissions of an important character by the governor of Nebraska, compiling a code and a suggested constitution for that State, a man who for 10 years has been working for cooperative companies. I have been attorney for the Farmers' Cooperative Grain Dealers in the Middle West, representing some several hundred thousand farmers for five or six years myself.

The length of the contract is for the purpose which I have stated, simply to anticipate fully controversies that might arise, and settle those justly.

Concerning the proposition that it is misleading, my only comment is that the statement is untrue.

Concerning the proposition that you turn over control for a period of five years, I want to make a few remarks.

It is true that the farmer agrees to sell through this agency for a period of five years. What is the object of that? The greatest obstacle in the efficient operation of farmers' organizations from time immemorial has been the inability of the farmers to stick together long enough and in sufficient numbers to get results. Therefore we have thought it advisable to do what other cooperative concerns have successfully done in New York, on the Pacific coast, and are now commencing in the South, where the farmers unite their efforts for a sufficiently long period of time that they can operate successfully and efficiently.

Contrast what we here are attempting to do among the farmers with what business corporations attempt to do. Take, for example, the United States Steel Corporation. I mean in other lines of industry by business corporations. The United States Steel Corporation does not content itself with a contract for five years. It goes out and buys the plants in their entirety, or obtains a controlling interest in the securities of another corporation, owns it outright, controlling the time of shipment, the price at which it should be sold, and the quantity which they shall sell, and every other detail of management and operation. We can not buy these farms; it involves too much money. I don't think it would be good for society if it was attempted. The next best thing is to have a contract that will enable an agency to be created that can obtain collective control over news-gathering agencies, over storage facilities, over credit facilities.

It is not true that the farmer forfeits all his control for a period of five years. The contract is stated in the alternative. He may, for the period of five years, pool. That is known as method B. On the other hand, he may make individual sales, adopting method A. The latter method may be transformed over to the pooling method whenever the farmer elects so to do. Once adopting the pooling method he remains in until the end of the 5-year period. The object of doing that was because those most familiar with pooling companies had expressed the fear that a shorter period would not give adequate opportunity for its efficient functioning. Remember, we have got to acquire control over many facilities. You must build up a sales organization. You must get splendid talent to help.

The grower that elects method A retains control over the time of shipment, over the quantity of shipment, and the individual can determine whether the price at which he can sell is satisfactory or not. He controls destination of shipment. Now, how under the plan can anybody claim that that is forfeiting the control over his grain for a period of five years, when he retains control over time, destination, quantity, and price? The only thing he does become required to do is to ship through this agency. That allows of the creation of an organization, the acquisition of facilities, the purchasing of property, the employment of adequate help.

On the pooling basis he still retains control over what he shall raise, when he shall sell, when he shall put his property into the pool, the price being averaged. Those joining in the pool are permitted to retain the average price for all the grain in the pool. Then, if it proves economical and effective, the new grain industry will enable the farmers to make long-time contracts with mills. It will enable the farmer to prevent gluts on the market. It will enable the farmer to deal collectively, as the purchasers deal collectively. During the past two years we have seen people come over here from foreign countries representing entire nations. Such an organization as that would be able to deal somewhat on an equality with those parties.

If the method is found inefficient or illegal at any time, then the balance of the contract still stands. If method A is found illegal, the balance of the contract would still stand, the thought being that it would demonstrate by experience which is the better. It is a case of the survival of the fittest. The fittest will survive.

As to the question in regard to using different contracts in different territories, that is in error. We have used the same contract in all territories. The one-year contract, referred to in the former statements as being used in the Northwest, was not used by this company, but it was used by Mr. Anderson's company.

Senator LADD. The Equity Co-Operative Exchange, an entirely independent concern?

Mr. THORNE. Yes, sir.

There have been minor verbal changes, perhaps; there have been attempts to meet some particular requirement of the individual locality; but any change that has been made has been of a minor nature, not amounting to a substitut-

tion of contract in any manner, and only valid when approved by those authorized to give such approval, being the officers of the corporation.

In regard to the deductions for the cost of handling I recall some references were made in the record.

Senator KEYES. Just before you leave the contract, Mr. Thorne, could you say any plan how many of those contracts have been executed, of the contracts such as we have now before us?

Mr. THORNE. Yes. The last report, I believe, was about a week ago, that I saw, and there were a little over 47,000 at that time. I imagine to-day there are 50,000. They are growing at the rate of about 2,000 a week.

Senator KEYES. Now, let me ask you, when a man becomes a member of this organization, does he then, at the same time, execute the contract? By executing the contract, does that make him a member, on the payment of \$10?

Mr. THORNE. Yes, sir. The provision covering that is contained on the last page, at the bottom of the page. When he signs this contract he applies for membership, and the agent, by his signature at the bottom, approves the application, and he automatically becomes a member.

Senator SMITH. Mr. Thorne, when you speak of the use of these contracts in different parts of the country, does that include the entire country?

Mr. THORNE. Yes, sir; they are organizing, I think, in about 12 States at present.

Senator SMITH. The reason I asked that question is that down in the Southern States there is an active campaign going on in the organization of these cooperative associations. I am speaking of the cotton States. Those contracts are not confined just to grain.

Mr. THORNE. Those are separate organizations.

Senator SMITH. Different organizations?

Mr. THORNE. Yes, sir.

Senator SMITH. The terms of the contract, as I read it here, are very similar to yours.

Mr. THORNE. That could arise from two sources. In the first place, the Kentucky people wrote to us for suggestions; and, in the second place, they may have done as we did. We consulted similar contracts that have been in force in other parts of the country. Many of the paragraphs here are verbatim copies of paragraphs in other contracts, modified sufficiently, as we thought, to meet our situation.

In regard to the deductions for cost of handling, in framing those paragraphs we were cognizant of very bitter attacks that had been made upon similar paragraphs in the Northwest, in the wheat section, by certain parties who were opposing it. I recall one circular letter that was gotten up by one person who was fighting this organization, in which it listed all of the subjects that could be covered by the deductions for cost of handling. In order to meet that objection effectively, we fixed a maximum under certain terms and conditions. For example, if nothing further than the services of a commission agency is performed, the maximum deduction would be 1 per cent of the value of the grain, or the customary rate charged at such markets. The exact language is contained in the contract. I won't stop to read it. You will find deductions for cost of handling covered in section 12 of the elevator contract and also in section 17 of the growers' contract. I won't take time to read them. The details are given there.

The parties operating this institution could not anticipate at any stage of the proceeding the various necessary expenses that will have to be incurred. This is a nonprofit organization. In other words, it is attempted to operate on the cost basis. The safeguard that the farmer will have will be that he himself selects the men that control the institution, in addition to the clauses contained in the contract limiting the amount.

Senator SMITH. Mr. Thorne, on the second page of the contract, I find the matter to which you refer, in section 12, "deductions for the cost of handling," then, farther down, the amount of deductions for the cost of handling, as above specified, shall be estimated by the board of directors of the United States association."

Mr. THORNE. The provision, as I have stated to you, you will find there in one of the two places that I have specified.

Senator SMITH. It says here "the amount of deductions for the cost of handling, as above specified, shall be estimated by the board of directors of the United States association and shall be so established as to yield as nearly as may be a sum of money equivalent to the operating and capital expenditures

and reserves, and such other expenses as may be reasonably estimated as essential to be incurred by the United States association and its subsidiary organizations, for the ensuing year. In case a sum in excess of such requirement shall be collected during any fiscal year, it shall be set aside, or invested to meet the obligations or needs of the future, for the use and benefit of the growers."

Is that the paragraph you have reference to?

Mr. THORNE. No. There is an additional clause which I spoke about, which provides the 1 per cent deduction, or 1 per cent of the value is the maximum, where we deduct a commission for the business. There is also the provision that where other facilities are acquired the deductions for those shall be in reasonable proportion to the requirements for the handling of the grain. Those provisions are all in the contract, as I stated to you.

Senator KEYS. Mr. Thorne, I understood you to say that the grain under method B that was put into a pool was all sold and that each contributor received an average price. That is correct, is it?

Mr. THORNE. Yes.

Senator KEYS. Now, I just want to ask, for information, how often that takes place; I mean how often would that average be computed? It seems to me under that method the contributor might have to wait some time for money unless there are provisions for advancing.

Mr. THORNE. There are provisions for advancing as much as the market conditions will justify. That is carried in the contract. Each season's crop, as soon as the money is received from that crop, it is distributed. The final distribution of the proceeds from the sale of the grain, of course, will be when it is all sold, but as it is being sold it is to be distributed among the owners of the grain as rapidly as market and financial conditions will justify.

Senator KEYS. I may ask, what is the plan about finances? I should think it would require some substantial amount of money to be had on hand practically all the time.

Mr. THORNE. Correct; and that is—

Senator KEYS. I was wondering whether you would get a sufficient fund from your memberships, or whether you simply have provided for that money in some other way?

Mr. THORNE. I shall discuss that in just one moment. The clause to which I referred before, on other grain, you will find at the bottom of the paragraph to which Senator Smith referred, if you want to read it.

"Provided, however, that if the grain is sold on a grain exchange and no other service of a substantial character is rendered by the United States association, the total expenditures which shall be considered chargeable against said grain shall in no case exceed 1 per cent of its value, unless the standard charge for similar services shall be more than 1 per cent, in which case said total charges by the United States association shall not exceed such standard charge. On other grain where facilities requiring capital investments are used the maximum deductions for any one year from the proceeds of all sales of grain to be made for capital expenditures, interest charges, etc. (aside from ordinary operating, including overhead, expenses), in order to acquire the ownership or control over marketing facilities shall in no case exceed 1 per cent of the value of the grain so handled by the United States association. The distinction in accounting between capital and operating income and expenditures shall be in accordance, so far as practicable, with the rules adopted for common carriers by the Interstate Commerce Commission."

Now, in regard to the subject asked about by your chairman relating to finances:

Inadequate finance has been one of the most serious problems confronting the individual farmer. His inability to hold his crop until the price gets better results in practically three-fourths of his grain being dumped on the market within three or four months after harvest, and during the balance of the year those that have purchased that grain or have held their grain profit by the higher average price. We made a chart of that covering a period of 10 years, demonstrating what I have just stated in substance. We early appreciated the very great importance of the subject of finance, and I want to outline briefly the plans that were considered.

First I want to say that the statements made by witnesses who appeared before you that we have been barred from certain States—or the U. S. Grain Growers (Inc.)—if so intended by such witnesses, was wholly in error.

The U. S. Grain Growers (Inc.) have been licensed to transact business and to solicit memberships in North Dakota, Indiana, Kansas, Oklahoma, Iowa, Nebraska, South Dakota, Minnesota, Colorado, Montana, Idaho, Washington, Oregon, Wisconsin. Wisconsin held it was not required to get a license. Texas the same, because there is no law by which nonprofit or nontstock companies are required to secure license in the following States: Wisconsin, Texas, Ohio, Illinois, and Missouri. Licenses have also been received in Kentucky—

Senator LADD (interposing). I think the impression was conveyed that they were barred from doing business in Indiana and Minnesota—those specific States. I wish you would state, so far as the U. S. Grain Growers (Inc.) is concerned, do they have a license in those States?

Mr. THORNE. Both of those States.

Senator LADD. To what did that refer?

Mr. THORNE. I was approaching it gradually.

As to the Farmers Finance Corporation, which relates to the question asked by the chairman, permits have been received—they have been authorized to transact business, as distinguished from the selling of securities, in North Dakota, Illinois, Indiana, Missouri, Kansas, Oklahoma, Nebraska, South Dakota, Minnesota, Colorado, Oregon, Michigan, Wisconsin, Kentucky, and I think in Idaho and Montana.

Now, as to the permission to sell securities, we received permits in North Dakota, Kansas, Oklahoma; in Illinois after conference with the officials of the State it was, under the new law enacted in 1921, decided that a bond should be required, is required by statute, and the bonding companies requiring a minimum of \$2,500,000 that had, the Farmers' Finance Corporation having \$150,000,000 capitalization; and in Indiana, Minnesota, and Missouri the commissions took exception to the sale of our stock for certain reasons which I shall describe briefly, although I have not the correspondence with me. I want to say that I personally did not have an opportunity to go to either of those hearings. I had been planning to do so, and shortly after that the creation of the War Finance Corporation, or the revival of it, caused us to decide to hold the Farmers' Finance Corporation in abeyance until after the March convention, to determine at a later date whether the sale of those securities should be prosecuted. No solicitation has been made as yet. The national convention meets in March. I think that if I had a chance to go to those commissioners and explain the basic reasons for the organization and its plan they would have revised their conclusions, as they did in other States where I have been, and as I am glad to outline to you at this moment.

They objected, first, because the preferred stock had no voting power or control, the people that put their money into preferred stock not having right of control or any power to vote. Of course, you gentlemen are familiar with the fact that 90 per cent of the companies of the country operating to-day grant no voting power to the holders of preferred stock.

Second, that only \$2,100 as invested in the common stock, does control the hundred million dollars of preferred stock, and that another institution than the Farmers' Finance Corporation controls that common stock. Now, at first blush, without an analysis of the relations that argument appeals to one as strong. But let us see the problem confronting us. If the common stock which controls the Finance Corporation is sold generally and people put in their money, \$10,000,000 to \$150,000,000, whatever the amount might be, and it is a success, it would be only a question of time until the financial interests of the country would attempt to control the organization by buying up the stock. It was immediately suggested, "Can you not get it up in such a manner that the stock can not be transferred?" Upon that proposition the authorities differ very substantially. I can show you a score of cases to the effect that a man placing money into securities has an equitable interest in them that you can not prevent his disposing of. If he is permitted to dispose of that you then have the possibility of the Farmers' Finance Corporation, an institution created by the farmer, being controlled by somebody else after the money has been raised—the very thing that we wanted to avoid. The farmer having a membership in the U. S. Grain Growers (Inc.), which holds the common stock of the Farmers' Finance Corporation, has thus control of the Farmers' Finance Corporation. Let me restate that.

The farmer members of the U. S. Grain Growers (Inc.), which in turn holds the common stock of the Farmers' Finance Corporation, would control the Farmers' Finance Corporation, and you can prevent the disposal of the mem-

bership in the U. S. Grain Growers (Inc.), a nonprofit, nonstock concern. I do not think you can prevent the disposal of the property interest that a man may have in the U. S. Grain Growers (Inc.), but I do think that you can prevent the disposal of his membership. The result is that you thereby retain control over the finance corporation in the hands of the farmer.

Second, please consider whether it would be even desirable to prevent the sale of the securities representing a large investment. The people that put their money into the Farmers' Finance Corporation preferred stock, if they were prevented from selling or hypothecating that preferred stock, would then tie up your fifty or a hundred million dollars, if there was that much invested. It could not be used for temporary loans at a bank when a man needed money and was hard pressed. He could not exchange it. Therefore, I say even though the courts would sustain it—and some unquestionably have—the thought that you could prevent the sale of that stock to outsiders, I do not believe it would be advisable, because it would take out of the community that much money that could not be used for such purposes as I have stated by the individual.

I have stated the substance of the reasons for the relationship between the U. S. Grain Growers and the Farmers' Finance Corporation; but after the plans were perfected and charter obtained, the revival of the War Finance Corporation has helped very materially to meet some of the problems confronting the farmers, and anybody acquainted with the agricultural industry during the last 12 months knows that it was exceedingly difficult to dispose of a large block of the securities. The farmers simply did not have it. What has occurred with this is no different than that which occurred to the Edge Corporation that was planned by the American Bankers' Association. If you will recall, they contemplated a hundred-million-dollar export corporation, shortly before this institution was planned, and circumstances have compelled them to abandon that temporarily, or permanently.

As to the future, on this grain, which is a splendid security, we can obtain from banks advances up to 60 per cent, or 80 per cent, or 90 per cent of its value, on bills of lading, warehouse receipts, and pooled grain can be hypothecated. We can obtain advances through the War Finance Corporation; and recently a ruling of the Federal Reserve Board, I believe, is to the effect that if the cooperative organization does not take title to the grain it may be considered agricultural security, and discounted by the Federal reserve banks, which is not true if the corporation takes title. This institution, acting as an agent for the grower does not take title, except that it does have power to hypothecate it to the extent indicated. It also, as a factor, would have the right to sell, but in so selling it would act as trustee, or representative, or agent of the grower, and would be accountable in any court in the land for the proceeds.

In the statement that I made a little while ago relative to a review of the contracts, I just want to call the subcommittee's attention to a brief that was compiled in my office by the attorney of the association on the subject of exclusive sales—quite a large volume, which is more accurately described as a digest than a brief, and also to the long list of cooperative contracts that we have obtained from all over the country. I just want you to see that to demonstrate the fact that we made quite an extensive investigation of the proposition. After these papers were all compiled, we took the contracts, constitution and by-laws of the Federal Trade Commission and stated what we were doing, submitted it with a brief as to the legality, and asked if there were any criticisms or any objections to any part of the plan, that we wanted them to state frankly, and up to the present time no such criticism or suggestion has been received from the commission. In order to give them unquestioned jurisdiction, I called their attention to the fact that under the statutes, as an export corporation, they were practically expected to perform that very function, as it is not prejudging; it is giving them an opportunity to review a proposed plan. We stated that we contemplated the organization of an export corporation. It will be necessary in our further activities to create subsidiary corporations for various reasons, as other lines of industry have done. For example, boards of trade have certain requirements. Unless those are changed in conformity with the Capper-Thomas law—which might involve considerable litigation—the U. S. Grain Growers (Inc.) would not be admissible.

We will probably know day after to-morrow whether the Capper-Thomas law is constitutional or not. It is quite possible that the Supreme Court will an-

nounce a decision on it. It has been argued and submitted to the Supreme Court. In that connection, they counter the attack on the U. S. Grain Growers as evidence of the possibility of destroying the existing market facilities by the development of cooperative marketing.

I do not know that there is anything further I desire to state, unless there are some more questions you wish to ask.

Senator KEYES. Is there anything, Senator Ladd?

Senator LADD. I don't think of anything.

Senator KEYES. I am prompted to call your attention to this by reason of the language of the resolution, the last line of the resolution, in reference to the U. S. Grain Growers (Inc.).

When Mr. Mansfield testified before the committee he left with the committee the minutes of the meeting held at Cincinnati. In looking them over I find in addressing the meeting he makes some reference to a conversation with you. I read from the minutes submitted by him:

"We have been told by Mr. Thorne, and I have his word given to me personally, given to me on the train between Champaign and Chicago, that 'The next thing that we will tackle will be the millers and the banks and the insurance companies and the grocers, and we will go all the way down the line, and when we get through we will govern the country.' I said, 'Another Russia?' 'Well,' he said, 'it might be worse.'"

Mr. THORNE. That is utterly absurd. I have never made such an asinine statement in my life.

Senator KEYES. Do you think you are the Mr. Thorne he refers to?

Mr. THORNE. I don't know. I know that I never made such a statement. In fact I don't know that I have ever met the man.

Senator KEYES. I think that is all.

(The following stenographic report of the proceedings of the meeting at Cincinnati on June 27, 1921, is incorporated in the record by order of the committee.)

PROCEEDINGS OF MEETING OF DELEGATES FROM DIFFERENT BUSINESS ORGANIZATIONS AND OTHERS AT THE SINTON HOTEL, CINCINNATI, OHIO, ON JUNE 27, 1921.

The meeting was called to order by Mr. Clements, president of the Grain Dealers' National Association, at 10 o'clock a. m.

The President. You were advised by Secretary Quinn of the purpose for which this conference was called, and Chairman Reynolds, of the legislative committee, and ex-President Goodrich will go into further detail relative thereto when they speak to you. However, it may not be amiss for the chair to speak briefly concerning the problems that confront the business interests of this Nation and to which it is our purpose to address ourselves at this time.

The economic vagaries that threaten either disruption or the utter destruction of the established order of business find their basis not in any weakness or venality on the part of our present system, but in false and unfounded charges by either ignorant and misguided or designing and mendacious individuals, who, feeling or seeing the dreadful pressure of depression, are either seeking, in a blind fashion, a solution for its baneful effects, or endeavoring shilly for selfish purposes to tear down the old and well-established order and build up a new one which has for its basis the damnable doctrines of socialism. These malcontents, not satisfied with appeals to the prejudice of their fellow citizens, which they arouse by the most specious arguments and gross misrepresentations, also lay their hands upon our Government and by the same methods make it responsive to their wish or will.

The exigencies of the hour having more influence with the politician than the principles of ages; the demands of a class making a more effective appeal to their fancies or their fears than the Constitution does to their consciences or their patriotism constrains them to yield, and yielding they seek through the contrivances of legislative enactment to placate the agitator. To meet his demands each day witnesses some new departure from the fundamental principles that underlie and support this Government. If the desertion of those principles merely meant inconvenience to one or even more channels of trade, one or even more classes of citizens, we could, and doubtless would, make up our minds to endure if we could not approve it. But, gentlemen, we are not

confronted with the single necessity of yielding up our individual preferences, or subordinating our interests to what might be thought, however erroneously, for the common good. We are confronted on the one hand, and we can not longer conceal it from ourselves or deny it to others, with an organized and definite effort to communize the agricultural classes of America. The leaders are endeavoring, through a system of agreements which utterly destroys the independence of action of the producers but over the lives and fortunes of all classes of our citizens would be so dangerous, so radical, so autocratic, so un-American as to be utterly unthinkable. On the other hand, we observe this organization of producers sitting at the council table of this Nation pouring into the ears of willing listeners the story of their misfortunes, not for the purpose of securing constructive legislation of a kind that may be practical or in line with the proper functions of Government, but for the sole purpose of securing repressive legislation, the terms of which will cripple or destroy the present competitive system and set up in its stead the thralldom of State socialism. The legislative chains are now in the process of forging. The Constitution, which is the charter of Federal Government, which defines and limits its authority, exercises no longer any restraining power over those sworn to preserve, protect, and defend it.

The undertaking of the Federal authority through the enactments of Congress and the constant accretions of power constrains us almost to the conclusion that instead of registering an oath to preserve, protect, and defend the Constitution, those who accept office these days must surely subscribe to an oath to subvert, circumvent, and offend it at every opportunity. We have fallen into strange times indeed when there sits in the two Houses of Congress a majority ready at every call of expediency to constitutionalize their legislation through the taxing power. Bill after bill extending the power and authority of the National Government, creating administrative forces, authorizing regulatory and repressive control of business is introduced and passed by Congress in utter disregard of the limitations of the Constitution, and so made that judicial review sustains them only because of some tax that is levied by the terms thereof notwithstanding the tax itself is not designed for the support of Government but for repressive purposes only.

The Constitution is the Palladium of our liberties. Its provisions it adhered to will protect us against the tyranny of majorities or the evil influence of active and aggressive minorities. It is the fashion now for those who seek some especial advantage to go to Congress with their demands. The legislative steam roller is immediately gotten under way, and those who would raise the constitutional flag to warn of danger or to avert the catastrophe are run down. First the laboring classes have their lining; then the producing classes make their advent at Washington. And here let me say I do not blame Congress for being solicitous about the producing masses of this country. I blame them only for subverting the Constitution and enacting legislation that grants to them special favors; that authorizes them to organize an institution which, if they could complete it according to their vision and purpose, would be a gigantic trust whose power would be so great, whose influence so far reaching that it could control everything and be subservient to nothing. If the grain dealers or business interests of the country should undertake such a scheme with reference to farm products or any other of the products of mines or manufacturers they would put us in jail. If we should go to Congress and ask them to compel some farm organization to admit us to their organization on terms different from those they had already prescribed for accepting members of their own class, they would wisely tell us they would exercise no such power. At the direction of the producing class they have, however, written into the bill designed to control the grain exchanges of the country just such a requirement on behalf of the cooperative concerns.

The Department of Agriculture, created primarily for the purpose of gathering agricultural statistics, promoting scientific demonstration and educational work among the producers of the Nation, is now being at its own request and at the behest of the producing classes vested with authority and wide discretionary power over the business interests of the Nation. If evils have crept into our commercial structure anywhere these interested or affected are content to secure the passage of laws the unavailability to which will restrain or the penalties of which will compel a discontinuance of any practice inimical to the national good. Instead they urge, with the approval, and upon the insistence of the department itself, that it be empowered to rule over first one

and then another of the business interests of this Nation. We have the choice therefore of tamely submitting while class interests, the politicians, and bureaucrats build up a bureaucratic despotism to rule over us, or devising some way to make effective our opposition to a bureaucratic regime that would destroy initiative and shackle the commercial genius of America.

The cooperative movement by and of itself would offer no threat that we need fear to the business interests of the Nation, for, as has wisely been said, if cooperative concerns can excel individual enterprise in the great work of distribution they are entitled to the field. But this is not the question with which we are confronted. Their leaders, aided and abetted by the forces of government, are endeavoring to make both the producers and consumers believe that the middleman is the enemy of both. It is utterly untrue. Our Government, through the Department of Agriculture and the Bureau of Markets, is officiating as a wet nurse to the cooperative movement, disparaging and endeavoring to discredit and break down by its activities and interference the great competitive system of distribution of farm products. While the Department of Agriculture is encouraging and assisting the organization of State and National cooperative agencies assisting in securing repressive legislation and seeking power to control and direct the agencies of competitive institutions, the Bureau of Markets, a subdivision of the department, is lined up with State departments of agriculture and State boards of agriculture whose joint employment of county agents gives the Bureau control and influence over an organization whose representatives, paid by taxation gathered from all the citizens of this country, are supposed to render scientific and educational service to the producers of the agricultural counties of all the States of this Union, but who in fact have practically absolutely no service and are now engaged in the actual work of distribution, using the franking privilege to carry on such correspondence as they find it necessary to carry on in their work of distributing farm products.

It can not be expected that this threat on the part of our Government against private enterprise will be confined to the great business of grain distribution. When it is put thoroughly under control and domination of bureaucratic authority, that authority will seek and find reasons for extending and broadening its powers and the sphere of its domination, and other classes will rise up to demand it. Thus will America be socialized. The threat and the menace are here. It is not too late to stem the tide that would engulf us. We must make effective our opposition to departures on the part of our Government from its time-honored principles. It must be constrained to an exercise of its constitutional prerogatives only. We must point out to the great mass of patriotic and liberty-loving Americans the dangers that threaten them. We must convince the producer and consumer that we are the enemy of neither, but the servant of both. Our interests are not established or maintained by injustice to the producer by giving him a low price or by injustice to consumer by charging him a high price. Competition is so keen that the charges for our services are reduced to the minimum, any large profits being acquired either by fortunate market fluctuations after purchase of grain, or by a large volume of business.

If we could only convince the Government, the producers, and consumers of the facts as we know them we should be able to thwart the purposes of those who would destroy us. Only two forces stand in our way. The bureaucratic greed for office and official power and the agitator who seeks to revolutionize and destroy. By invoking the Constitution we can restrain the one, and by giving the facts to the great American public we can unhorse the other. [Applause.]

MR. E. A. REYNOLDS. Mr. Chairman and gentlemen, I can hardly hope to say anything new, because what I have to say you are all acquainted with. You read it in every day's news. Every great newspaper of the country is heralding the question. You see it in every report of Congress; you hear it discussed at every grocery store.

A great problem is before us. I perceive that in all the history of commerce no other problem has ever measured up to it in the importance which it now assumes. The farming community, the farming business, the producing of food is now a ruined industry. The wreck of it lies at our feet, and we haven't one hope for its resurrection unless the American Government in its might raises, subsidizes the farmer, and produces our food through the agency of the Federal Government.

The farming industry is carried on at a ruinous loss. You see it demonstrated by facts and figures in every daily newspaper. There is not enough labor on the farm to produce enough food to keep us from the brink of starvation. The farmer, the unprotected individual, is the prey of the middleman, who continually levies tribute on his labor and on the product of the farm to such an extent that he is driven to desperation and ruin. He is compelled to take a ruinously low price for everything he produces and pays an extortionate price for everything he purchases. He is bearing the whole brunt of taxation. No one else contributes any material part to the support of our Government or of our institutions. He is unable to secure any legislation recognizing the importance of his position in the commercial industry of the world. All legislation is against the farmer. He is not able to borrow a dollar of money to carry on this great and important industry. The banks and commercial institutions that loan money are locked against him. Not a dollar can he secure unless it comes from the Federal Government. He receives only 24 per cent of the price the purchaser pays for his foodstuffs.

With this state of affairs, can it be wondered that we are facing starvation and that there is shortage of food throughout this country? Now, gentlemen, this is a gloomy prospect. We hope there may be some way out of it. If you think over it a moment, you may well dread the moral, next week, or next year, as we will be on the very brink of the same as some parts of China. In the face of all of this gloom we stand appalled and falter to take a single step forward. And yet I hope, gentlemen, and in the presence of this gloomy picture, feel we are like those without hope. I discern one ray of hope through all this gloom, just one, and that is that there isn't a blankety-blank word of truth in any of it, a single word. [Applause.] Therefore, this country is laboring under the most colossal delusion that has ever existed. No Government or any people in any time past. Gentlemen, I am not stating conditions in the premises here that are only sparsely believed in. Of our 110,000,000 people, 90,000,000 of them believe that the things I have stated are facts. And, gentlemen, when everybody believes a thing is a fact, it becomes a truth, whether it is true or not. That is the condition under which we are laboring to-day. If I understand anything about what we are met here for, it is with a hope that we may disseminate some of the truth amidst all of the falsehood that is now controlling the actions of people and of State and of Government.

How is it all brought about? I will tell you. A popular chord once set in vibration is easily kept in vibration if there is no discord introduced in it. This was a popular chord for the demagogue to strike. He has struck it, and keeps on, and neither we nor any one else have offered a single discord to break the monotony of that popular strain. If there is anything we can do, the thing to do is to introduce a discord into all this seeming harmony of woe and degradation that does not exist. [Applause.]

What are the facts? Taking it up along the same line that I have given you concerning the woe and degradation, what are the facts? Agriculture is not in ruin. She has not even borne her rightful part in the loss in the commercial industry of the world since the war closed. She is standing to-day on a firmer foundation than any other line of business in the United States. The business fabric of the country is tottering, and the farmer alone stands as a true bulwark which is solid and staunch, and does not depend on the caprice of the people in general. What about their operating at a loss? We hear a lot about that, and there have been volumes written and reports given out about what it costs to produce grain. I was brought up on a farm, and have been in direct touch with the farm all of my life, and I have never yet seen, from Government agencies or anywhere else, a farmer attempt to find the cost of raising grain. They are all padded costs. I speak of the grain, because I feel I am competent to speak. While a lot of grain last year was probably produced at a price and carried into the low markets at a loss, as far as present production is concerned, I feel that even these low, depressed markets, which can not long stand as low as they now exist, are profitable to the farmer. They say they have land worth up to \$400 to \$500 an acre during a speculative movement that took place during the war, and they ask a profit on that. Where are your stocks and investments compared with the flood tide of war times? Thirty or forty per cent. Why should the farmer remain at \$500 an acre? You are not expecting to get 20 and 30 per cent, as at the flood-tide price of war times? What industry is? The railroads and other commercial institutions have marked off all idea of profit and have proceeded with the forlorn hope that they can

pay fixed charges, and they are not doing that. Why should there be all this solicitation about the farmer, and the Government going to his rescue, and placing millions of money behind him to make him prosperous and capable of making a higher return on the inflated values of his property and labor?

Shortage of labor? There is no such thing. There are millions of good men now ready and willing to work on the farms. They do not want to work for \$10 or \$12 a month, but they are ready to work for a fair sum.

Now, then, the prey of the middleman: How about it? I venture the broad assertion that the people classed generally as middlemen are working cheaper to-day than any other class of people in the world. There is a service to be performed, and the line between the middleman and the producer is indeterminate and indeterminate, and where one quits and the other begins can not be determined. If we are to take over the farmer, the sturdy farmer, and let him perform the functions of the so-called middleman, we are without farmers. Where does the line of demarcation begin? If a man plows his corn, plants it, hoes it, loads it in a truck and takes it to the elevator and dumps it out there and the elevator man puts it in a car, show me what function is performed that is not necessary, and what is producer and what middleman. They say he takes a low price and pays a high price. In other words, you have often heard that talk, "I take just what they offer me at the elevator, and go to the store and take just what they ask me." What is the truth? Both are controlled by laws beyond the control of either buyer or seller. It may vary slightly, but the general rule prevails. Competition, if allowed to continue, will fix that. If competition is wiped out by the agencies spoken of by the President, who will fix it? In other words, as I stated in St. Louis two years ago, are we to feel safer by breaking down a so-called theoretical monopoly that they claim now has character of the grain, and substituting a monopoly of the farmer? If we are safer in the hands of one monopoly than in that of another? If there is a monopoly among grain people, and we all know there is not, we know that the law of supply and demand governs in so far as the farmers' organizations will allow it to operate. I do not fix the prices of my elevator. I determine the conditions on which I am able to pay, and usually I find that I have been mistaken and have paid too much.

As to the price at which he buys: How about that? There is no stable condition of buying prices of merchandise in general. Why? Because the merchants generally, being on the brink of bankruptcy, are floundering in every direction to determine the best course to pursue. There are wide fluctuations along the lines of varying prices in commodities of the same kind, but those are only incident to the unsettled condition of commerce in general. There is nothing in the argument that the farmer is forced to take what people want to pay him, and has to pay what other people ask him.

Taxation? The farmer pays it all. You ought to all laugh when you think about that. You should think how absolutely assinine that proposition is. He has a less per cent on the valuation of what he has than any other line of business in this country, and facts are facts, and you can find it out by looking over the records.

Legislation: He wants representation and legislation. I have been for 14 years chairman of the legislative committee of the Grain Dealers' National Association. I have never seen one single line written, passed, or even debated in Congress that even called for a regulation of farmers' activities. Not a single one. Not a repressive measure. Everything has been in his favor, and yet he cries that he has no chance in legislation. Our Congress stands as a colossal monument of fear against doing its own duty because the farmer stands asking for unreasonable things. I suppose I will be called down for that statement, but I am ready, and do not intend to take a back seat on my own opinion because the popular feeling is the other way.

Loans: The papers say the farmer can not get money. It is so ridiculous and absolutely afield from the truth that it should not have been ever discussed. The farmer can get money easier than anybody else. He gets it at a lower rate of interest. He gets it with less value in his collateral than any other class. The Indiana Association of Farmers the other day had a meeting in Indianapolis at which they memorialized Congress on the question of laws to be passed to facilitate the possibility of farmers getting money easily. Right across the street from their headquarters is the Farmers' Trust Co. The next morning after this came out the president of the trust company went over and interviewed Mr. Brown, the president of the Indiana Association of Farmers, and

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said: "I see your statement. You people want money?" "Yes." "Brown, I will tell you what I will do. I will enter into a contract with the State association of Indiana to furnish them \$300,000 a month for 10 months at 6 per cent interest, or any part of it you people see proper to use." That is a reliable institution. Six per cent interest. What are you paying? Seven to eight per cent for money, and they can get all they want at 6, and no takers. That is foolish. It falls to the ground of its own weight. How many of you are directors in country banks? I have been for 50 years, and we never turned down a man with fair collateral in the shape of a farm. And when small country banks get into trouble, who are the creditors? The farmers. There are more credits to the farmers than to any other class when a bank for any reason closes its doors. It is all buncombe. There is no truth in it.

Thirty-four per cent of what the consumer pays gets back to the farmer. Do you know where that came from? That was testimony before Congress, and stands uncontradicted to-day. A committee of 17 made that report to Congress, and I heard it made. You know it is not true. You know that the report of the Federal Trade Commission showed that the grain was handled cheaper than any other line, from 10 to 12 per cent, between the farmer and the consumer, and yet that statement stands uncontradicted and goes down as true to 90,000,000 of our 110,000,000 people.

Shortage of food: I once was made to feel very small for a statement I had to make. At the Omaha Grain Dealers' convention about 10 years ago I made the statement in my annual report that the grain trade of the country must rise to the emergency confronting it and be ready to take care of crops aggregating 10,000,000,000 bushels instead of the 4,000,000,000 that were then being produced. I made that statement on Tuesday morning. On Friday of the following week a long interview came out in the newspapers, an interview with Mr. James J. Hill, the great railroad magnate, who called attention to the fact that we were on starvation ground, or thereabouts, and that we were not going to be able to raise food enough in the future. I was small potatoes, of course. The papers had printed some few of the things I had said, but when Mr. Hill's interview came out there was no further mention of the prophecy I had made. Now, since that time we have fed the world. We are feeding them to a large extent now, and the greatest danger that confronts the commerce of this country and the farm industry of this country and agriculture in general is the proposition of overproduction. It is the most dangerous proposition that can come to any people—overproduction in any line—and to-day we have an overproduction based on the world's conditions.

I have analyzed briefly, and as I see it, the condition that confronts us. We have 90,000,000 or more people that believe this proposition is just as serious as my first outline indicated. We have 100,000 that know it is all untrue, and we have 10,000,000 or 20,000,000 of doubting Thomases that stand on the fence without any opinion to-day and are ready to be convinced. That is a gloomy problem. How is the truth to be gotten over to the people? There is no way (that by the rule of exclusion) we can determine what will not do. We can not disseminate the truth by saying nothing. We can not let the untrue statements made in Congress and in the daily press and in every center where any information is disseminated—we can not get the truth over by letting those erroneous statements and untruths go down to the people as truths. We can not do that. First, some people must be made to understand that farming can be made profitable, and that we have enough food to supply the people; that a combination of farmers controlling foodstuff is at least as dangerous as an imaginary combination of business men. Third, that the farmer gets money as easily as anybody else, and so on down. We must show to some people that more than 34 per cent of the price the consumer pays gets back to the farmer. We must dispense a few of those abominable false representations that go before the people, innocently mostly. There are not many of these papers that know the facts, but somebody brings to them a popular statement and they print it, and that goes down as the truth because no one else has the courage to give them the truth.

In yesterday's Tribune on the first page it says, "Urgent action on new laws to aid farmers." You haven't asked aid, and I haven't, and our business stands in greater jeopardy than any farmer's. But here, in one of the great dailies of the country—it gives a column to the thing. Among other things, it says, "The agrarian bloc in Congress"—the idea that a bloc can be formed in our legislative bodies, both in the House and the Senate, for a specific purpose. Did you ever hear tell of anything like that? You never heard of it until this Con-

gress. For what purpose? To carry through laws particularly aiding this one cause they espouse. They are not willing for Congress in general to have say of the matter; they are going to form a little clique of their own to work it through. "The agrarian bloc in Congress, which is making the power of the farmers felt in national affairs as seldom before, has snapped out an extensive program of proposed legislation and pressing for immediate action thereon." Down farther it says, "Allow producers to combine." Let us take that for a moment. In other words, to pass a law to aid the criminal to get away with his crime. Now, why do they need a law to aid the farmers to combine? Do you know why? Because there is a law that prohibits combinations to everybody else, and now they want special legislation to give them the right to commit the crime. "The next on the program in order of importance is the Capper bill, authorizing associations of agricultural producers. Explaining this measure, Senator Capper says, 'Under existing statutes the legality of cooperation is constantly questioned.' Now, who has ever heard of that? Did you ever hear the legality of cooperation questioned? You may say you did. Yes; whenever it transgresses the Sherman law and makes a pool and stifles commerce, you may have heard of it. Hundreds of men have been placed in jail and in the penitentiary for breaking it, and have paid millions of dollars in fines."

Now, you are going to legalize it for a special class. "Cooperative associations have been prosecuted and harassed by selfish personal interests. This bill does not ask for class legislation." Those are Capper's words. "It does not seek to exempt cooperative farm organizations from the provisions of the antitrust laws." Now, what in the name of heaven does it do, if it doesn't do that?

Then, farther down, "Our system of marketing is the costliest and most inefficient in the world, for the reason that the farmers are compelled to pay daily tribute to a group of men who render no service to the farmer or the consumer. In a broad way, this bill seeks to eliminate the speculative middleman and the unnecessary profit taker. Both political parties endorse this measure in their national platforms, and all the farm organizations have memorialized Congress to pass it promptly. The bill also has the approval of Secretary Wallace."

That is just a fair sample. That is the reason I said in the beginning that you people are acquainted with what I have to say. This calumnious situation is before you all. It is before the public. Now, if anything can be done to remedy this it is getting the truth to the people; just the truth, no falsehood or misrepresentation; and if we have any faith in the eternal fitness of things we should take courage and feel that it can be done, and the truth can be gotten to the people, and once the truth is gotten to the people the 80,000,000 of consumers as against the 400,000 of producers will begin to assert themselves to see that their interests are looked after as well as the producers' interests. I do not know any sacred realm in which the farmer can move and be impregnable to attack. I have no doubt my town paper will have something to say about my talk here, but I do not care. What I have said is the truth, it is a statement of the facts, and the reason we haven't as many delegates here as we should have is because we have too many cowards. [Applause.]

Our President has most ably set forth the matter in a much broader light than I have, as to governmental agencies. We are supposed to be operating under a republican form of Government, and that Government is to be by delegation. We are to delegate our power. We have gotten away from it so gradually and easily that we do not even have the first sight of that constitutional provision for Government. There have been more than 500 commissions appointed in State and National affairs in the past 15 years to operate the Government in direct contravention of the constitutional provisions for government. And yet they are sustained. The framers of the Constitution never intended that power should be put over to commissions, with unlimited power to control, regardless of representative forms of government. Our Constitution sets forth we shall be governed by representatives of the people. Instead of that we delegate our power to 500 commissions in this country, to contravene the action of the Constitution.

What I hope for is this, that something can be started here to-day that will in the end get the truth to the people. I haven't, and our business stands in this matter. There is a studied, an educated class of demagogues that are sapping the life out of the farmer, as well as out of business in general, and making their livelihood and large fortunes out of promulgating these false

doctrines. Here are a few: Here is a bill to provide for the purchase of farm products in the United States, to sell the same in foreign countries, and for other purposes. What does that mean? We are going to have a Government grain business right away. Could anything be more pernicious? This is Senate bill 1915, introduced by Senator Norris.

H. R. 6356, Winslow, a bill to amend the interstate commerce act by adding thereto a new section, 20b, and to amend the act to read: "What does it mean? You have a law that governs all the people. Now you want to change it and make a special class out of part of the people."

Here is House bill 6958, and you will see by the looks of this that it is as much as Congress should do in any one year. This is a bill to amend the farm loan act to extend and include its operations in the towns and cities, to jointly promote the development of agriculture upon the farms, and of home building and owning thereof by dwellers in the towns and cities; to promote capital for agricultural development, etc. It took all that for some of the agencies to figure out a falsehood, a condition that doesn't exist.

House bill 15615, introduced by Mr. Summers, of Texas, a bill authorizing and directing the Secretary of Agriculture to establish a farm-produce exchange, and for other purposes. They want to kill off the private exchanges that have been tried and tested for the last 50 years and let the Government go into this criminal proceeding you are guilty of.

House bill 15988, introduced by Young, of North Dakota, a bill to authorize the Secretary of Agriculture to contract with farmers in North Dakota, South Dakota, and Minnesota for the production of grain through advances of a portion of the cost. What does that mean? That means that if a fellow wants a farm up there in Dakota and says "I haven't got the money" the Government is going to put up the money and take his crop if he gets any. What security has he got? These farmers want to get money without collateral. I haven't been able to do that.

Here is one by Mr. Haugen, our pretty good friend in the past. It is a bill to tax the privilege of dealing on exchanges, boards of trade, and similar places, in contracts of sale of grain for future delivery, and for other purposes. I know Mr. Haugen, and I know he doesn't mean that. He has told me so. He believes in the exchanges, but he has an idea that there are certain things in the exchanges which should be eradicated, certain regulations of them. You will agree, and I will. I think the exchanges have not kept abreast of the times in changing the rules as fast as they should. I think they need some control. Perhaps I need some control, but if a criminal is guilty of a minor offense why hang him? Why not give him the punishment that will correct him? Mr. Haugen does not really want to suppress the boards of trade. That same idea is in the bill that has already passed the House. Those of you who met Mr. Haugen and who are well acquainted with him know how radically he has changed his opinion. We generally find men who have responsibility thrust on them all at once begin to sober up. Mr. Haugen has sobered up somewhat. There is some hope for our Secretary of Agriculture. He seems to have sobered up somewhat from the responsibility thrust upon him.

Here is House bill 5825, introduced by Mr. Hudspeeth, to amend section 12, paragraph 7 of the act approved July 17, 1916, known as the Federal farm loan act, and also to permit the Secretary of the Treasury in his discretion to use not to exceed in the aggregate \$100,000,000 of the net earnings to be derived by the United States from the Federal reserve banks during the years 1921, 1922, and 1923, said sums to be deposited in the various Federal loan banks to be loaned upon agricultural products, live stock, wool, and mohair. Let us analyze that situation. Not content with putting their hands into the Treasury of the United States in a general way they want to get behind our Federal banking system and fish from it a certain amount of the earnings of that bank, that will compel the bank to make any interest rate higher and your interest rate higher. A paltry \$100,000,000 they want to take out of our Federal reserve banks. It goes deeper than that.

Here is another bill, introduced by Mr. Kenyon, Senate bill 1265, a bill to create rural credit societies, and for other purposes. It takes all of that for Mr. Kenyon to tell you what he wants to do. All he wants to do is to curry favor with the farmers, and that is what this whole gang of them are trying to do.

Now, are we willing to try to get the truth to the people? Your business and my business depends on it. The future of the commerce of this country

depends on it. Not because we are grain men and may take the initiative does it follow that we are the only people affected. Every branch of business in the country is being threatened alike. And that is not the worst of it. If they can do business better than we can, I say amen. If cooperation can supersede individual effort, all right enough. But that is not the underlying question. The underlying question is, have we got a representative form of government for all the people? Is our Constitution to be the controlling power behind legislative functions in the future? It is a bigger question than all of that. Some people say they are tramping on our toes. That is true. Let them tramp on our toes as long as they tramp individually. I will measure my strength against opposition not backed by the Federal Government, but when you pay taxes to have them come back at us in the way they do now, by appropriating money to upset your own business, and contravert every foundation of our Government, and to set up a new set of affairs, you are being imposed upon, you are being made the underling, the butt, and the joke of the whole proposition.

I hope some movement can be started, not to get ahead of these people, not to do anything of the kind, but to get back to first principles, to get the truth to the people, to tell them exactly the state of affairs as it exists. We have a Federal trade commission on the grain business that spent two or three years investigating the grain business, and I have never yet seen any report in the public prints of their final report except a little piece of about 2 inches in one of the papers. I suppose it cost two million, three million, five million, or ten million dollars to get that report out, and then they were afraid to disseminate the truth. Mr. ——— helped to prepare it. He knows about it and the gist of the whole proposition—I am not speaking for Mr. ———, but the gist of the whole proposition was that they didn't find what they started out to find, and they were daunted by the big covens to publish the truth. That is the trouble with all of these investigations. You don't get the truth. Those people are not trying to give you the truth. It is for private enterprise and private effort to get the truth before the people, and if we can not, the dire calamities spoken of by our president are to be expected in the future. It is for some agency, and it is trust come from the business world, to get to the people the facts, and not allow them to longer grope in darkness and falsehood instead of truth. [Applause.]

THE PRESIDENT. We would like to hear from Mr. Goodrich.

Mr. GOODRICH. Mr. President and gentlemen, I am a little like the Irishman who was driving out in Missouri. The roads were very bad and he had an awfully rickety wagon and a poor old team of mules, and he got stuck in the mud on one of the country roads. Some one came along and said, "Well, this is pretty bad. I guess you are not going to get out." He said, "Yes; indeed I'm stuck, and I have nothin' to unload." That is the way I feel.

Mr. Clemen suggested I outline a little a plan. I suggested while president. I do not claim to be a seer or the son of a prophet, but for the past several years I could see this coming, and at the Minneapolis convention, last October, I suggested that the Grain Dealers' National Association father a plan to organize a publicity committee made up of the secretaries of the different affiliated associations, the secretaries of the different grain exchanges of the country. In order to get the facts to the people. There are over 400 farmers' papers in this country, and they have something like 10,000,000 subscribers, and every week and every month this false doctrine is being preached into their ears. The daily press is very ignorant of the grain trade and its functions. You seldom hear a fair statement about the grain trade, the country elevator, or anything else. If this was a farmers' organization meeting here this morning every paper would be represented by one or two reporters. If there is one here now I do not recognize him. We should court publicity. There is nothing said in a grain dealers' meeting from our county meetings up that everybody should not know. We are not suppressing anything. The country grain dealer has a hard enough time to get anything like a fair statement from his local paper, published perhaps 2 or 3 miles away. But the farm papers distort this information.

In April I picked up a piece about this committee of 17, two of them Government-paid employees, that committee formed to go out into the country and build up an organization to put our business out of business. It was President Harding, and he turned it over to Secretary Wallah, and he came back with a two page letter standing up for what he had done, saying it was as much the function of the Agricultural Department to help the farmer sell his

stuff as it was to help him produce it. He justified the course of putting two paid employees of the Government on that committee. It was not to help the farmers primarily. It was to build up a marketing system, to help defeat the grain exchanges of the country, and yet all of the taxpayers were furnishing two high-salaried men on that committee, and they are there to-day, the two Livingstons. They are paid employees of the Government. So, I believe, it is the province of this association and the associations here represented to organize a publicity bureau and put the money back of it. I believe the exchanges should be back of it, and there should not be much trouble to raise a couple of hundred thousand dollars for this purpose and see that these facts are put before the people in the right light.

Analyze these infamous bills that have been introduced in Congress. Go back to 1890 or 1900, and the prominent people in legislation were the railroad, the telegraph, and these great corporations. When the overthrow came in 1904 and 1908 they were followed by the labor organizations that almost dominated Congress and exterminated in the infamous bill fixing wages and things of that kind. Now, they are followed by the farmers. They are thoroughly organized, they pay twice as large salaries as the grain exchanges pay, and Congress is afraid of them.

You fellows who live in the city do not have anything to say about what takes place in Congress. Every farmer is a politician. He perhaps has four or five boys, and they sit around the table at night and work things out, and they run the politics in the neighborhood, and Congress is afraid of them. They tell you that frankly. The Congressman will say, "We have to listen to those fellows." They are ignorant of business affairs. Your Congressman from your district, what is he? Nine out of ten of them are country lawyers, who have had no business experience, and many of them never made a living until they got in Congress. What do they know about a business problem? If we do not talk these things over with them they will listen to the organization in Washington. I do not know how many farmers they have there, but in Indiana last winter they kept 10 or 12 fellows there at Indianapolis all the time the legislature was in session, and they passed everything they wanted passed, and they will pass everything they want at Washington if we do not go there and educate these Senators and Congressmen, tell them what is fair and what is not, and give them a fair insight into our business. Most of them want to do what is right, but they are ignorant of business affairs, nine out of every ten of them. If we can get out of this meeting a publicity bureau that will let the people and the Members of Congress and the members of the different State legislatures know the facts about the grain trade, and show the fallacy of these things they are trying to do, we will have accomplished something, and will accomplish something that will be good for us all. [Applause.]

The PRESIDENT. We would like to hear from Mr. Mansfield, of Chicago. This meeting was called by the Grain Dealers' National Association, but it is your meeting as much as ours, and we want you to feel as deep and abiding an interest in the deliberations here and give us the benefit of your counsel and wisdom.

Mr. MAXFIELD. Mr. President and gentlemen, if I seem to bring a note of pessimism to the meeting to-day I think you will pardon it after what we in Illinois have just gone through. You are not facing legislation in this day; you are facing annihilation, and I will prove it by just one statement. The United States Grain Growers (Inc.) have signed up in the States of Kansas, Oklahoma, and Texas 90,000,000 bushels of grain that will never come to any exchange in this country. That is the first statement. They are planning a campaign throughout the whole grain belt to sign up the grain growers and farmers of this country, to a contract utterly one-sided, for a period of six years, and every bushel they sign up takes that much out of the exchanges and away from the grain trade of this country.

This thing is possible by reason of the conditions which have existed for the last year. We have had no rest in this country following the adjustment which came after the close of the war. It has been felt in business, in labor circles, and particularly on the farm. I do not believe the farmers of this country are bolshevists, but they have lent themselves to a theory that this possibly will be one way of escaping from the serious situation, and consequently the alluring scheme is this: The payment of \$10 down gives them a part in this movement, and they are not, so far as they know, obligated further,

but along comes a band of trained men, paid at the rate of \$10 a day and expenses, the best talkers and the best salesmen in this country, schooled in North Dakota and in Chicago for this work, and they are going to sell them a gold brick, a contract which in the nature of things is intended for one, and one only, and that is the man who makes that contract. It signs up the farmer for a period of six years to put through that association every bushel of grain raised on his farm. He can not get out of that contract, he can not transfer it, he can not annul the contract, and it is a lien on everything he has, both personally and really, for the duration of the contract time. This does not concern Chicago alone, but it concerns every exchange that handles cash grain, and particularly us of the Middle West. I think it is the greatest menace to the Kansas City market that there is. I do not know how many men from Kansas City are here, but you are facing a problem, and if we do not meet it at once you will lose one-half to three-fourths of your business, and it will be lost for a period of six years.

Something as to what has happened in Illinois. Our fight was hopeless. The cards were stacked. There wasn't any hope of our winning whatever until we brought the Illinois farmer in, and when we brought 5,000 of those fellows up there, fighting mad, we turned the tide against this movement, and we have taken Illinois out of the column of the bolshevists and have put them into the column of sound business principles and practices; and we have thinned up to-day so that the United States Grain Growers (Inc.) admit Illinois is hopeless as far as they are concerned; and they are going to make one attempt in two counties in Illinois to put over this contract and, failing in that, will abandon the State. They will never put it over in those two counties as long as the board of trade is in that frame of mind and these people have a breath of life in their bodies. We have taken steps in Illinois to meet that situation.

This is no time to talk of what we may do in the future, but by July 15 there will be turned loose in this country 500 trained men, trained in schools to go out and sign these farmers up. Are you going to stand idly by and discuss ways and means, and let this go over? We haven't any time to lose, and if to-day this meeting does not adopt some way to meet that they are recurrent to their business and recalcitrant as citizens.

We have been told by Mr. Thorn, and I have his word given to me personally, given to me on the train between Champaign and Chicago, that "The next thing that we will tackle will be the miller and the banks and the insurance companies and the groceries, and we will go all the way down the line, and when we get through we will govern the country." I said, "Another Russia?" "Well," he said, "it might be worse."

I say this calls for action. We in Chicago have been giving it attention day and night during the whole of this legislative fight and since. We have definite plans in our minds as to how it must be met. Eighty-five per cent of the farmers in the country are sound mentally and morally. They do not have to be reasoned with extensively. They must know the truth, and they will fight for you, but you must get them advised of the insidiousness of this thing and what it means to them in plain English. What does that mean? The first step, according to our ideas, that you must take is to go out into the country, district by district throughout all this section, in every State where bolshevism is putting its head up and attempting to make the first step in a plan that will wreck this country financially and otherwise; we must put up warning signs to the farmers, and tell them, "Do not sign any contract until you have read what experts say about that contract"; and then let us see that there is literature available to the farmers in all of these districts to which they can have access, and you can put that out not only through the grain man—you have another factor, the country banker. They have the country banker coerced. In one place they said to a country banker, "You have \$2,000,000 deposits in your bank, and if you move one finger to get this representative of yours to vote against these bills we will take that money out of your bank." I call that un-American and anarchistic, and if that thing obtains in the United States much longer there won't be any organized business; there won't be any ordinary business honesty and business principles. We will be living under soviet government, with anarchists and Socialists ruling us. That is the situation we must fight. You may not think that is right, but we have here a document showing that on the platform at one of these meetings in Chicago there sat Mother Jones, Seymour Steadman, Lloyd; and some of the officials

of the United States have said, "We can trace absolutely, without question, the connection between this movement in Illinois, which has crystallized in the Lantz bills, the Townsleyism in the Northwest, and the Non-Partisan League." And yet they are carrying water on one hand and trying to balance a pail in the other.

You have a job at Washington as well as in the country. This menace comes to every exchange, to every grain dealer in the country, and every man who handles grain on a legitimate, fair business basis. The opposition offers no business basis. They offer a plan which for its success depends on a monopoly, the elimination of all competition, and the setting of a fixed price, which, as Mr. Thorne told me, would be one price to the consumer for January, another price in February, another to the end of the crop year, and the carry-over will all be marketed at a price they will fix, and they will make the consumer pay the price. We are facing this situation as plainly and as straight as ever, it was possible for a trade to face any proposition, and connected with that is all the business that goes to make up the bulk of the country trade, not only in our line, but in others as well.

You must arouse the farmer; you must establish a bureau for the spread of propaganda which will defeat the object these gentlemen are trying to put over, and you must make the farmers so friendly and so well acquainted with the exchanges that every farmer in the country of any standing in his community will be a warm advocate of yours, as they were of ours at Springfield last month. This is not a time to question as to what we may or might do, or to turn over the business to a committee and "let George do it." It is a question you must meet yourself, and unless every man in the grain puts his shoulder to the wheel, you may just as well look for another line of business, and even then you won't be any better off, for they will get to that business, too.

The most positive force in the country to-day is the educated farmer, and we had the cream of the Illinois farmers for us in Springfield. In three days' time we found out in Illinois, by personal work on the part of the members of the Chicago Board of Trade and the country grain dealers, three million and over acres of land, representing every farming community in Illinois, and we brought that to Springfield with representatives from the different districts, and brought the fight right to the men facing the question of passing this legislation. This is not legislation, but annihilation. What are you going to do about it? Will you sit down and discuss this thing for the greater part of the day or will you start in right away? You must do it before the 15th day of July, to organize a central bureau from which this work can be accomplished.

I was at Omaha last week and discussed with the members of that exchange the proposition, and they said, "We don't want to go in on a proposition where we are given a certain territory, and are supposed to look after and be responsible for that territory. We would like the establishment of one central bureau which will use the same methods and call upon the exchanges for their cooperation and effort and active support, and we will back that up with our money," and that is about the only feasible plan I can devise and I have been thinking over this thing during the entire 10 weeks that I was at Springfield and all of the time since.

You must arouse the farmer. Point out the danger of the situation if he signs up. You must sound the note of warning throughout this country, and then check and thwart the efforts of these men to put over this proposition. Then we will have time and opportunity to discuss further methods looking toward the dissemination of propaganda against bolshevism, anarchism and socialism, and then only are you gentlemen going to feel that your lives are secure. You can not do it if you sit idly by for the next 30 days and allow some committee to wrestle with a problem that is too big for any committee, and that will require the best brains of the grain trade in this country.

I am like my friend Lindley. It looked black at Springfield. He said, "I would rather be an optimist and write than a pessimist and fight." That is much the feeling I have to-day. If you think the worst of it is over, that the fight has been won, you have a bad situation facing you, because you will find these fellows in your territory will accomplish more than you dream. Our representative in North Dakota sent me four clippings. He said, "I think you are too sure of your position there in Illinois." And I read that. The teams are already at work in these northwestern States, and Minneapolis must be up on its toes and going, or they will have a rude awakening. I am glad their secretary is here, because Minneapolis and Duluth and Omaha

and Kansas City are going to feel this worse than anybody else, and we must go to their assistance and must help them with every bit of strength and power we have to meet this situation and check it.

I am just going to put these facts before you as I see them. Here is what 50 farmers told me: "If you gentlemen don't take this movement up that we have started and do not carry it on and use it for the benefit of the grain trade generally in this country, you deserve the fate you are going to get in two years from now." That came from men who are no fools, men who gave the best arguments in our behalf, men who are vitally interested and will fight to the last ditch to prevent turning over the grain trade of this country to a bunch of men not one of whom has made a success of his own business, men who are tramps, theorists; men so ignorant of business principles and business practice, that their course must result in the utter defeat of this movement in its finality, but which may carry down in ruin the grain trade of this country before that is accomplished. The further word from these farmers was that one day's work within the next two weeks will be worth more than one month's work three weeks from now, and I will leave you with that thought. You may think I am an alarmist, I am not. I am ordinarily an optimist of the deepest dyed type, but we must be up and doing, and if this meeting does not resolve itself into some definite action, then the Chicago delegation will feel this meeting has failed utterly and does not recognize the gravity of the situation nor the future consequences that are as inevitable as the rising and setting of the sun.

You can feel yourself all you want, but you are facing a condition that is sweeping the country in every line. This unrest is carrying men beyond anything they ever dreamed of. They are grasping at straws, and it is time for the conservative business men to get together and place before the public the insidiousness of these doctrines, their dangerous character, the consequences that will follow and result of disorganizing a business that has taken 10 years to develop to its present highly trained state of efficiency. Take this as the final word from the men who fought the battle in Illinois for you as well as for the Chicago Board of Trade, that you are facing a situation which, if it is not met in the next 30 days, is going to at least take one-half of your grain out of your hands for the next six years, and I hope you will not be willing to turn this over to a committee of men and say, "The job is for you. We are going back and play golf, handle our grain as we may, and take our vacations." As far as I am personally concerned, I am going to stick to this proposition until the last one of these fellows is ruled out of the grain world, and they should be and must be driven out utterly. These people are not what they claim to be, friends of the people, but they are absolutely the opposite, and their attitude has shown it. The methods they used in our fight were beyond expression. We would not descend to them, and when we left Springfield we left with even our enemies and the men who voted against us in the legislature our friends, and they said, "We have never fought a cleaner, finer bunch, nor have we ever seen such a fight put up in the history of the Illinois Legislature." [Applause.]

Mr. REYNOLDS. Will you outline specifically the plan you have in mind?

Mr. MAXFIELD. The board of trade thinks this fight is peculiarly the fight of the western exchanges. Here is a ray of hope for you gentlemen. I can state to you positively that the organized farmers' cooperative movement in the State of Illinois has unanimously voted down the United States Grain Growers' proposition and will not stay with them but will be for the grain men in their fight. The second in line with Illinois was Indiana, and the third was Iowa, so we are sure that the country about Illinois that is particularly interested in trade with the Chicago Board of Trade is reasonably safe for us; but we also know, as I have stated, that 60,000,000 bushels of grain is coming out of the Kansas City exchange and we want to help Kansas City to defeat the very thing that is going to spread East and come down upon us just as inevitably as the sun rises and sets.

Minneapolis and Duluth are in much the same position, and the same effort must be used in their behalf. It will take money, it will take brains, it will take counsel, and, above all, it will take persistent efforts in the field and through recognized channels of propaganda to defeat this proposition.

Our proposition is this, that for the benefit of all we should establish immediately, this week, in Chicago or some other central city, a bureau whose first efforts will be to warn the farmers by means of placards posted throughout the districts, that they are going to attempt to organize, against signing these con-

tracts, and then turn loose in that country the most foolproof literature we can get up as to why the farmers should not sign. The farmers want that. I had a delegation in from Illinois last Saturday asking for that sort of stuff. If you say, "Oh, we will refer that to a committee, and the committee will meet next week and the week after, the farmers will say, "We thought so. You are asleep on the job." I have a man right here in this room who went out in the country at the request of the Chicago Board of Trade and came back to me, and he was scared stiff at what he was up against. This is a real menace

This bureau, first of all, must meet this present situation before the 15th of July. After that the committee which has this bureau in charge can discuss methods and means of propaganda looking toward the elimination of this thing from our leg-stalls halls and the menace it may be to other business. I think there are men representing other businesses in this room. If there are I am only the first to let them know they are deeply interested in this fight as we are. Grain is only the first item and the second item is money. We have already \$100,000. They are already signing up notes to advance money, and there is over \$2,000,000 in the Treasury of the United States Grain Growers, contributed by farmers to further this movement and they are using \$100 where we use \$1; and if you let that run along you are coming to annihilation. We must meet the issue squarely and not quibble too long or discuss too long the best method. When a man holds a gun up to your head you don't say "This is not fair; drop your gun." You say "I will shoot you dead if you do not get down and admit the first thing you can find. That is what we did at Springfield. We found there that we were not only in danger of our lives but everything was ready and the stage was set to put us out of existence. What did we do? Some of our board of trade members told us we should do thus and so. We said, "That may be all right, but we are down there fighting for our lives and are using every power and means at our command, and we are fighting for you and are not going to stop until we smash this fight in our favor. But you must realize the whole stage is set against us." That is exactly the same situation nationally that you have in Illinois.

If this is formed this is what it will do: It will place in charge of various States a committee composed of the members of a certain exchange. It will be their business to supervise. You must have a local bureau in each county to get that county organized, and get their men ready to meet these farmers and explain these things to them. It will take a corps of experienced men to organize the country. We have such a band. We can place our hands on 50 men, the cleverest and best fighters and talkers we have run across, and most of them are country grain dealers and farmers. If that number there are probably 40 farmers, and 10 dealers. We will take the 40 farmers, and the 10 dealers go, and go into this fight to help us to save ourselves. If you can find any greater degree of patriotism in any other line, where is it? And if this meeting does not resolve itself into an active, positive force to meet this situation I will feel this has been a total failure. I am not overdrawing it or trying to paint too black a picture. Mr. Cornelius came down to see what the fight was like, and the first night he said, "Mansfield, they have us licked by a mile." I said, "I have known that for a week, but we are not licked until they put the last shovelful of dirt in our graves. When we had licked them, and we knew it, we said, 'they say' we were licked." We were waiting for two years from now at Springfield, and we will give you better odds than we gave you this time." We said, "No; you won't. We will be here then 200,000 strong, and we will put you where you belong." And that is what we will do, whether the rest of the grain world does anything or not.

Mr. REYNOLDS. Give us your specific idea of what we should do.

Mr. MANSFIELD. I think the first thing is to establish such a bureau, leaving a pro rata assessment upon the exchanges. Whereas Chicago has paid a mint of money into this, we do not regard a cent we have spent; we spent it in the interests of every exchange and country grain dealer here today. That money was well spent. We will have a bureau that will be directed by your gentlemen from some central point where it will be possible to keep in touch by telegraph, telephone, and by personal visitation with the work in the different States. Then send out our men into every State, even into North Dakota and South Dakota, and we will give them such a flag as they may carry and help, and so forth. This thing and such other things will be very generous to come. If you wait for the cause is lost. It will take money, but every dollar you spend will come back to you.

you in the close harmony between you, your exchange, and the farmer, that will result in business you have never touched before.

We had a man in Illinois who has been very prominent in the fight for these Lantz bills. I am ashamed to say that he is a member of the Chicago Board of Trade. The farmers came to Mr. Day and me, and said, "Ship it to, but do not ship it to that man," and they said, "You bet we won't, and neither will our members." We have traitors in the grain exchanges that must be shown exactly what this situation is and where they are heading us, or we will have a serious breakdown. I do not think we can afford to have any group weaker than our weakest link. This situation, if it is handled right, will result in benefit by the farmers throughout the whole grain belt in much the same manner that the cotton dealers and the cotton exchanges have annihilated their position with the farmers. To-day they are working in harmony. Their interests are mutual.

They meet on common ground and they have common friendships, and they never fail to get together at every opportunity. Every college that has an agricultural department must be first to put into that college a two year course in the marketing of grain, and the business of the commission houses, and the merchandising of grain, and the reasons for speculation, and what it does for the grain trade. We have the promise of the University of Illinois that such a course will be instituted, and the men in charge in Illinois are men of the right kind, men who are men of the right kind that can be standardized. A similar movement will be made in Nebraska in the next 10 days, to do the same thing in Nebraska, and a similar movement on Ames in the same way, and Purdue in the same way, and that will go through the country, and that will be the first step, and that will be the first step of your professors come out as Socialists and anarchists.

I do not think there is anything for us to do except to formulate plans for the starting of this bureau, to provide funds for running it, and put men in charge who know how to run it in the best method possible. That is what we must do first. After that we can discuss what we must do to further this proposition in a general way, and over the large number of businesses that are interested in this situation.

A MEMBER. You mentioned two counties in Illinois that they were going to try to sign up. What counties are they? Are you able to tell us?

Mr. MAXFIELD: I will tell you one. The first county they are going to attempt to show their work in, the directors of this, or the committee of it, and which they say they know they can sign up in Illinois, is McLean County, and we have already taken steps to put in a bill for McLean County, and we have already taken steps to put in a bill for McLean County, and will cover every nook and corner of that county, and when they get ready to go in, they will have little chance. McLean County is the county in which Bloomington is, and it is the hotbed of this radical movement, and is their best organized county. One of my good people, a member of the legislature, has been in McLean County, and has canvassed their territory and district 10 to 12 miles square, and had seen every man, and had sent men to the various farmers in that district, men personally acquainted with those farmers, and got the straight of it, and they found only two men in 10 miles who had signed the petition, and we were told that six years seemed a long while. We do not believe they want it. That is true in most of those cases.

Mr. MANSFIELD. You think a large number have signed in Kansas and Oklahoma?

Mr. MANSFIELD. They say they have 60,000,000 bushels signed up. I think

you can divide that by two and come nearer to it. I want to make a correction, in justice to the State in which we meet. Ohio has never seriously considered the United States Grain Growers' proposition. The first excuse is that it is not a movement in the grain world to meet this situation, and I congratulate Ohio in having a man who had the courage to tell these people what they must do. I sold Iowa had signed up. I will correct that. We have selfless information that Iowa will follow Illinois, Indiana, and Ohio, and the action taken in Illinois will be followed. They will not sign the United States Grain Growers' contract for the handling of grain.

A MEMBER. What is the situation in Missouri?

Mr. MANSFIELD, Missouri is now being worked in some sections by the crews that this organization has sent out. We sent a man to St. Louis to sound the note of warning there, because we believed this was vital. It is not a theory.

It is something you must face in your own business. The same man speaks in Omaha to-night in opening the campaign in Nebraska against this movement, and he does not paint a picture a whit different from my own. We have both been into the districts where they told us absolutely that we had not a look-in. Mr. Day covered the territory in Illinois, where he got 12 signatures in three days' time, and two weeks later we turned loose 30 trained men there, and they secured 2,000 or 3,000 signatures, showing the sentiment he had started had spread, and the country had changed that much. Some of you gentlemen may have to give up some golf and some vacation trips and do some real work.

A MEMBER. Your idea is that not only every exchange but every grain dealer is interested?

MR. MANFIELD. Yes, sir. You will find districts where the grain dealers won't raise their finger, but, as suggested by Mr. Feery, I want to say that the country grain dealer is as badly menaced by this thing as we are. He realizes it. He is praying something will come along and help him, and if nothing comes along, he sees the possibility of defeat. They are telling the Illinois cooperatives, "If you do not sign up, we will build an elevator right beside you and take this business out of your hands. You had better come along and sign up." And then they talk about fair business practices and helping the farmer.

Mr. Laundy has just called my attention to the fact that I should say something about the Equity people in the Northwest, and how hard the Minneapolis Exchange fought them. The Equity people have been in existence many years. They found they could not get along without the Minneapolis Exchange, and the Minneapolis Exchange to-day is handling their grain for them, because they can not handle it alone themselves. These people tell us they are absolutely going to cut out the grain exchange entirely. Mr. Thorn told me, "We have our exporting outlet. We are going to do it ourselves. We are going to throw the export into the ocean. And we are going to change you milling people a lot. We are going to manufacture and sell to the farmer the flour he uses on his table, and we will control the mill-feed situation in this country." You see the ramifications of this thing, and understand I am not talking about something I do not know about. I have lived with this for six months. I was one of the first men to go down into the country districts, and I came back badly scared. This was the answer I got: "Everything is all right. Mr. Griffin has the committee appointed, and the situation will be taken care of." I injected myself into that committee, and the committee did not have one unnecessary man on it, and we enlarged that committee as the weeks went by until we had a delegation going down from Chicago that ran from 25 to 50 picked men, and then we just narrowly escaped. That is what we are facing to-day. If I can say another word that will make you realize it more clearly, I would like to do it. If the future of the grain business was ever at stake, it is to-day, and until the pendulum of this socialism and bolshevism swings backward, we will not be out of danger, and we must help swing it back, and if we do not, we will go down in the ruin that will follow the taking away of 75 per cent of our business which they claim they can take away from us.

A MEMBER. What about the country elevators?

MR. MANFIELD. They are locked up to the movement in this way: Most of our prominent farmers and leaders were directly interested in this thing. They were approached and signed up to work for these Lantz bills, and they came to Springfield, and we got at them, and they commenced to switch over, and then one and another of their prominent leaders dropped entirely, and then the farmers began to come in themselves, and the result was that the farmer elevator movement changed its attitude entirely to this proposition and began to see this was to be a menace to them as well as to us, and they are with us and you can count on the organized farmers and the thinking men in the country in the farmers' cooperative elevator movement being back of you to the limit, and they will put in money and time to help meet this thing.

Down in Illinois there was a banker whose son was a member of the legislature. The Chicago bank that was associated with it brought pressure to bear on the old gentleman to get his son to vote right on the proposition. The farmers heard about it and they waited on the president of that bank and told him, "If you make a movement to get your son to vote against us we will take out of your bank every dollar you have and we will institute a bank of ours and put our money in it." That gentleman came to us very badly frightened. Fortunately, his son had the courage of his convictions, and in the closing hours he was on our side strongly. But you can see the menace, its ramifications, and the forces being brought to bear to coerce every interest

in the country to be with them. I do not know what else I can say to show you the dangers of the situation that the grain trade is in.

A MEMBER. Does your plan contemplate working through the State organizations of the grain dealers?

MR. MANFIELD. We will use every organization we can get assistance from. In some localities we will have to place an organization of our own. Wherever we can use the local organization we will have to do that. It will depend entirely on the cooperation you get from the men in the particular district. In some districts you won't get any.

A MEMBER. Are they getting \$10 on these memberships?

MR. MANFIELD. We have conservatively estimated that we will require a quarter of a million dollars. That may seem like a lot of money, but a quarter of a million stacked up against two million makes us look like pikers, and they are not hesitating to spend that money.

A MEMBER. Are they getting \$10 on those memberships?

MR. MANFIELD. They got a lot of \$10 early, but now they are canceling those subscriptions and turning down the contracts. They are also canceling their subscriptions. When our dear friend, the Prairie Farmer, and some of the other papers in Illinois that have been so industriously working for the Lantz bills—and I want to call your attention to one thing that we must keep in mind, and that is the regular grain advertising in a paper that has done its best to steal our business away from us. The meanest competition and the meanest men we have had to fight, out of all of them, was Mr. Gregory, of the Prairie Farmer. Absolutely unfair, without principle when it came to fighting, and the farmers stood him up in the hotel and said, "Cancel my subscription until he and his paper get back to normal again," because you can not work 5,000 and they are coming in very frequently. If the grain men can not follow the lead of those farmers in that they are not quite as astute as I thought them. And the same with reference to the American Cooperative Journal.

Examine your journals that you have your advertisements in, and be sure they are preaching something in your favor and not against you. As I took up the Prairie Farmer the other day, I was amazed at the number of Chicago grain men supporting the organization and medium that has done its best to stick a knife between our ribs and turn it around. If there is anything I can do to remedy that, I am going to do it. The reason we have taken the initiative along these lines is because we have been through the fight and thought we could suggest something you might not have thought of. If you can suggest any optimistic items, I should be glad to hear them, because they would soothe my feelings. I know men in the Chicago delegation who never saw their beds in from 48 to 52 hours, in order that we might win, and we do not propose to go back and fold our hands and say, "We have won a glorious victory. Let us get back to normal again," because you can not get back to normal with the lay-out you have ahead of you. We kept our men in the galleries and gave them gallons of cold tea to keep them there so they would not lose their seats in the closing hours of our fight. One fellow said to the governor, "Governor, stand up and look us in the eye," and the governor began to lose his backbone and it oozed out through his shoes, and at the end he was against the Lantz bills.

The milk producers of Illinois started out on a milk-producing proposition. They pooled all their interests, and at the most crucial time in our career, when it looked the blackest, the milk associations got to a point where they could not pay a dollar and could not borrow a dollar, and they had to go out to their farmer constituents on the eve of the final passage of the Lantz bill to make a levy of 50 per cent to meet a deficit, not for obligations prior to May 1, but on obligations which rested on them for trying to maintain \$1.25 for milk, when the average price was 62 cents. When that became known to the farmers, they said, "Bring on your petitions," and they signed against the Lantz bill by the thousands. I talked to Senator Swift, and he said, "Count on me, one citizen who will go on the stump if it is necessary, or do anything to down socialism and bolshevism, and uphold Americanism." The breaks in the game were in our favor. You know in baseball in connection with inside ball, it is the breaks that count.

Here was the first break. We brought up for the first time 300 to 500 honest-to-God farmers. We took the precautions to register them, their addresses and how much land they owned, and they were picked fellows, and they came up there and filled the gallery of the House, and the bill came for consideration and one of the floor leaders, Representative Holliday, from Ver-

million County, got up and he looked at the galleries and said, "I see the Chicago Board of Trade in its usual manner has brought 500 farmers, so-called, men who haven't seen a farm in 25 years." And as if we had organized them for the purpose, they just went right at that fellow and said, "Come up here in the gallery and look at the backs of our hands and the backs of our necks," and Mr. Holliday said, "I move the gallery be cleared." And the farmers said, "Come up here and clear them, if you dare," and they were not cleared, and that was the first break in the game. The second came the following week when 5,000 farmers came down there and got their representatives, and in groups laid down the law to them as they never had it laid down to them before, and they were told, "If you do not go in there and vote against those bills, we will organize the county you serve against you and put some one else in your place," notably Senator Wright, who was told, "The next time we will elect a man who won't be a doctor, and who will know how to vote right on questions as to board of trade matters." Those were the breaks in the game.

Here is an analysis of the contract by some experts who have gone into it. Here is the United States Grain Growers' literature, containing their contract, and here is a discussion by a man entirely outside of the grain trade as to the legal effect of this contract. The analysis is a very scathing analysis, and could not be used in a propaganda form.

A MEMBER. Can't you read it here?

MR. MANSFIELD. It has been legally passed on. It might be considered libelous and would have to be sponsored. One of the big factors in their fight was their attempt to read into the record anonymous letters, and by unanimous vote they were compelled to say that Lowell White, of Chicago, was one of the writers, and to say that they had another letter that there was no signature to, and then the House instructed that no anonymous communication be permitted to appear in their record. [Applause.]

A MEMBER. What has been the experience in Canada with this movement?

MR. MANSFIELD. I am not informed as to that, and am not in a position to tell you.

THE PRESIDENT. We would like to hear now from Mr. McHugh, of Minneapolis.

MR. McHUGH. I came down here with the intention of being instructed, and not to offer anything, but I think we all had a note of optimism rather than pessimism in the statements of Mr. Mansfield.

The Minneapolis markets look with a great deal of interest, naturally, at the dolous in Springfield, and probably no market in the country has been so close to this radicalism, and for such a long time, as the Minneapolis market. It also happens that I was at one time a director of the Winnipeg Grain Exchange. It happened to be at the time when the Grain Growers Co. first made application for membership there. It happened that I made the personal complaint against them some time later, which resulted in expulsion, and later I was indicted by the grand jury of the Grain Exchange also was put on trial as a result. You may not be familiar with that situation, but that was an interesting development of the cooperative movement. The Grain Growers Co. there made a strong effort, and with political assistance, to break down the commission rule of the Grain Exchange, and to compel the Grain Exchange to permit them to do business within it, and at the same time defy the commission rule. They were expelled for their offering to promote their patronage dividends to all comers. They then had the Grain Exchange brought into court in the form of criminal proceedings, and the court tried out every rule of the Winnipeg Exchange, with the result that the Grain Growers Co. was defeated in every particular, the court sustaining all the rules and practices of the Grain Exchange, and the Grain Growers Co. was then compelled to make reapplication for admission, and to agree that they would thereafter comply in every respect with all the rules. Someone asked what the experience in connection with the Winnipeg or Canada movement was, and I happen to be familiar with it, because I was indicted by the grand jury and was called back from Portland, Ore., for a trial of several weeks in connection with that case.

In that market the advantages they had over all other receivers was so great that they have prospered, and to-day they occupy a very prominent position in the grain exchange of Winnipeg. Saskatchewan Produce has also passed a law under which the Saskatchewan Cooperative Elevator Co. has been organized, and that is really a line elevator company, of which about 85 per cent of the capital is furnished by the Province and 15 per cent locally. That operates on the Winnipeg Grain Exchange, and is a member of the ex-

change in Minneapolis, and I presume is a member of other exchanges. These cooperative movements in a small market, and where it is sold by grain alone, find a very favorable opportunity for their work. That is not saying that the ordinary farmers' agencies could not succeed in the ordinary competition here. As I understand it, there is no protest made by anyone on account of competition, but the protest is made on account of the unfair competition, on account of legislation giving special privileges to certain classes. It is to that that our objections may be directed. We have a farmers' selling agency within the Chamber of Commerce of Minneapolis, and it found no difficulty in securing admission, and we have had no difficulty with it. The Saskatchewan Co. of Canada is a member, and we have had no trouble with them and they had no trouble in securing admission. But, as the president and chairman of the legislative committee and Mr. Mansfield point out, the situation that the grain trade faces to-day is of the gravest character, and no one, I think, appreciates that more than those living in the Northwest. We have been engaged in a bitter and acrimonious battle for many years in that section with the individuals who are upon this so-called committee of seventeen, and who are connected with this movement, but I believe, while I do not wish to minimize in any degree the suggestions made by Mr. Mansfield for the necessity of immediate widespread action, at the same time I think the demonstration made by the Chicago Board of Trade at Springfield is far from being a pessimistic history. On the contrary, it is an optimistic history, because few organizations ever face so grave a situation as the Chicago Board of Trade faced at Springfield, and a proposition so far developed and which looked so hopeless, and yet few organizations have made a more remarkable showing or were more successful than they. So I think this fight at Springfield, instead of being a suggestion of pessimism, should be a suggestion of optimism. It gives everybody an appreciation of what is possible by concerted action.

I wish to stress his point, that the grain trade is merely one element in this matter. Those who have lumber interests, grocery interests, banking interests, all the interests who deal directly with the farmer, are menaced in precisely the same degree, and it is almost of as much importance to them. There is no distinction to be made, and no reason, in my opinion, why the battle against all the forces of evil that are behind this movement should be carried on entirely by the grain trade. It is their fight only in a partial sense, and I think the suggestion Mr. Mansfield makes is sound, but if harmonious action is to take place, if this thing is to be directed in an intelligent manner, it must be through some central bureau. The sum he suggests is large, but no larger than the issue, and I do not believe the grain trade and the other interests affected will fail in supporting such an offer in the manner that it deserves.

In the Northwest we have had some serious situations. It has been one of my duties to be at the legislature the greater portion of its sessions during the past 14 years, and bills of the character of the Lantz bills have been introduced repeatedly in our own legislature, and we have had varying degrees of effort necessary to defeat them, but they have been defeated. Among the most active forces in Minnesota against the committee of 17 movement, and most active forces in Minnesota who represents, is the Farmers' Elevator Association of Minnesota. The president of that association is one of the most active men in his bitter denunciation of the entire scheme, and the farmers' elevators throughout the Northwest are among the most potent forces of which we have availed ourselves in the past. At session after session of our legislature, when legislation was threatened and when any pressure we could bring to bear was of no consequence, we found inevitably that the farmers' elevator organizations, their officers and directors and stockholders, had an influence in the State capital that was vital, and by the use of that effort they helped to prevent the passage of the legislation.

In the past 14 years I have been connected with the Chamber of Commerce of Minneapolis, and during all these sessions there has never been a session when there have not been from 20 to 25 vicious bills introduced and fought by the Chamber of Commerce of Minneapolis. They have been introduced session after session, and were introduced at this last session, and they will probably be introduced at future sessions, but, as Mr. Mansfield points out, the producers—represented through the farmers' elevator associations locally—have never failed to come to the rescue of the grain exchanges and point out—and we have, of course, been negligent in seeing to it that the mutuality of

the interests of the farmers' elevator interests and the local cooperative movement and the terminal markets was very great, and anything that struck down the grain exchanges could not but act adversely on the producer. We have so convinced the producers of this that they are now, as they have always been, thrown into the scale in our behalf; and in 14 years no bill has been passed adversely affecting the Chamber of Commerce of Minneapolis, with one exception, and that is to be tested in the courts. At this last session the so-called Nebraska law, which was passed also in Missouri, was passed in Minnesota. In which the grain exchanges were declared to be public markets and they were compelled to admit patronage paying firms' selling agents without question. That law remains to be tested. Until some application is made, that law will not be tested. In the 14 years, and at the seven sessions that have passed during those years, we have met these Lantz bills every two years, and they have always been defeated in sections where socialism is rather dominant. They have been defeated, and so has the general sentiment that way. I think the plan suggested by Mr. Mansfield, of having some bureau to draw into the scale the powerful influence of the real, sound-thinking farmer, of whom there are multitudes in every State in the Union, is a good one. I have talked to farmers in the Northwest repeatedly, and it was interesting to note how no one has denounced this radical movement more bitterly than the farmers themselves. The problem consists to a large extent in separating the sheep from the goats and in allying and organizing those producers that represent the very backbone of this country, and whose clear thinking and sound judgment can not but condemn all of these variegates if the matter is properly laid before them. I think the main work of this committee and this bureau consists in doing just what was done in Chicago—getting a large percentage of the farmers who have no wrong purposes to serve, who have no desire to wrong any one, who mean to do the right thing, to have that large percentage properly constructed, properly organized, definitely arrayed upon the side of the grain trade and the grain exchanges; and when that is done I think we need fear little or nothing from that small percentage of self-seeking radicals that are to be found among the farmers' group and among every other group. [Applause.]

Mr. GOODRICH. I want to make the following motion, that the chair appoint a committee, with Mr. Mansfield as chairman, to report at the afternoon session a plan of organization.

Mr. WAYNE. I will second that.

Mr. YOUNG, of Lansing, Mich. I would like that the report be a written report, condensed as much as possible, and that it be available if possible at the beginning of our afternoon session.

Mr. GOODRICH. I will, of course, accept that change.

(Motion carried.)

The President. We will now adjourn until 1:30 this afternoon.

AFTER RECESS.

The President. I would like to hear at this time from Mr. Young, of Lansing.

Mr. F. L. YOUNG. When I was notified by the president of the National Hay Association to attend this meeting it occurred to me it was merely a matter of formality. It occurred to me some time ago that shippers had given up the ship and there was nothing left to be salvaged. Personally, I find that my sympathies are all with the politicians at the present time. It occurred to me several times this morning as I was listening to those who gave their messages what I would do if I could imagine myself as representing my district, either as supervisor, State senator, or in Congress, or in any other official position—imagine myself, if you please, acting as an attorney or in any other walk of life. I confess I believe my action would be very similar to the action of those who represent us at the present time. We as shippers have not contributed our part. We apparently have made no effort whatever to change conditions, and we to-day, in my opinion, can blame no one but ourselves for this present condition. Our very silence has said, in substance, that we concur in the information that was being distributed.

For 25 years my father was a shipper of hay, located in New York State, having as his trade New York State and New England. During the past 25 years I have endeavored to earn a living in following this same work, and I

find that much of the trade that I have been serving is trade that my father had during his time. During the past six months that trade has practically passed out of my hands. My bookkeeper, in making an analysis of the year's work just recently, brings this to my attention.

About 5 per cent of the business this year we had two years ago. To be absolutely frank with you, the question I am trying to determine at the present time is whether it is worth while to go on with the work. With reference to local conditions, I know of conditions only as they exist in my own State. I have asked myself, is it possible to do anything that will be worth while to change conditions, considering the question from the standpoint of cooperation? At first it seems that the opposition is so strongly entrenched that there is no use making any effort. Then, again, fortunately, a more careful analysis of the question brings this to mind. The opposition have made some very serious blunders. Those of you who are familiar with the situation know that the condition as represented by me is not overdrawn. It is not unusual in our section to find five, six, or even seven different men in charge of different local situations, and during the past six months. This indicates that conditions are not satisfactory. In our city we have a farm bureau. That bureau maintains a hay department. At the head of that hay department we have had not less than five in charge during the year, and confusion has reigned from this very beginning. Therefore, in conclusion, I want to voice as my opinion that a very complete and definite organization, an intensive organization, if you please, a complete organization which will place squarely before the farmers the facts, will bring about a different situation. My own recommendation would be that we immediately get busy and at least save the wreck. I thank you. [Applause.]

The President. I would like to hear from Mr. Moffatt, of the Merchants Exchange, of St. Louis.

Mr. MOFFATT. In regard to the fight in the State of Missouri, we were confronted first with a bill that provided for the abolition of trading in futures. That bill was not taken seriously, for it was thrown out by the committee. Then we were confronted by the 11th bill, which provided for the admission of the cooperative societies to our exchange. That bill was passed but was so amended that it was not looked upon seriously by us. Mr. 11th at present is planning to organize a corporation and submit the name of some one who will represent that corporation on our exchange, but he will agree to abide by our rules and regulations when that party is admitted. Our exchanges were asleep on this question. We did not know anything about the activities of this committee of 17. I am not a cash grain dealer myself and do not come in contact with that element, but last Friday we had notice that Mr. Day would be down from Chicago to explain matters. We called a meeting and got about 15 men there. That shows how little they are interested or how little they know the seriousness of the situation. I am prepared, after hearing what Mr. Day had to say to us, to know that the situation is serious, and we will stir up matters in our exchange. [Applause.]

I should be glad if Mr. Whitehead, of St. Louis, would say something further, because I believe he might add to what has already been said.

Mr. WHITEHEAD. A few days ago a darky came to Thompson's house, and he found him in the doorway looking very much depressed. "What is the matter, Mr. A. Johnson?" "I am very much disappointed. Mandy went down to the honchos this morning and opened up the door and let all the chickens out." "That is nothing to be disappointed about. They will come back." "No, they won't. Then chickens went home." I was disappointed when I came here to-day, because we have all been negligent about this matter to which our attention has been called, but because our chairman failed to call this meeting sooner than he did. But I want to commend him now for calling the meeting, because I know it will be of great value to the grain trade of the whole United States. This meeting will result in a bureau being organized for the purpose of disseminating propaganda all over the grain States of this country, and not only the benefits of trade are interested, but every grain dealer in the United States is interested, the milling interest, is interested, the bankers should be interested, and business men of all kinds should be alive to this question, and not let a committee of 17 run the whole country, and that is what they are trying to do. They have scattered propaganda all over the country.

We own and operate a line of elevators in southern Illinois, and Jackson County, Ill., has been thoroughly organized in a farmers' club the past 12

months, and I came to a pass that they met a few months ago to pass resolutions to buy our elevators, but the common sense of some of the good farmers prevailed. They said, "It will not do, because we need these people, and need them badly at times." Intelligence in all parts of the country will prevail and these clubs organized in that section of Illinois are beginning to wane. They need their committees appointed to buy flour, and they bought all they needed in carload lots. But they are coming back like chickens to roost.

I was delighted in listening to the address of Mr. Clemens, and he struck the keynote in everything. He says the farmers do not need to hold their wheat together and have a committee to handle it; that they are getting along all right. No farmer in this country who owns his own land, who did not speculate in high-priced lands, but who is going along evenly to-day, but is going to make a profit on his wheat this year, notwithstanding the low prices. I have just returned from the harvest fields, and the majority of the wheat harvested in Illinois does not cost the farmer \$50 extra money to put it in the shock, because the family helped him put it in the shocks. There is no great expense attached to the harvesting of the wheat, and the same thing applies during the thrashing time, and if we can eliminate these organizers, these shyster lawyers and shyster farmers, the better farmers, who are making their living out of these farmers in these different neighborhoods they organize, the result will be well. The farmers do not pay the taxes in proportion as they should. I know a farm worth—or at least the man claims it is worth—\$25,000, which is paying taxes on a valuation of \$2,500. The storekeeper on the same amount pays much more, and that applies to elevators and mills.

I attended a meeting of the Southern Milling Association at Waterloo, Ill., a little while ago, and Mr. Glenn, the senator from that section of the State, analyzed this question in an able manner, and he decided to vote against the Lutz bill, and the farmers' clubs that had been organized brought him in to make a speech. A lawyer there told me that that man would be snowed under at the next election; that he should have been guided by the advice of his constituency. I said, "And stultify himself?" He said, "If I represented them I would vote the way they dictated."

But Otis Glenn voted against the Lutz bill, and he has told his constituency they would in two years' time thank him for his action. It would be well if we could have more of such men to represent the manufacturer and the grain interests and banking interests of this country. We must bring pressure to bear, and it will take money, because, as has been stated, there is about \$3,000,000 in the treasury of these farm societies now, and we must work hard in hand in the exchanges, the bankers, and the grain men of the country—and especially vitally interested must take part in this and not let a committee of 17 dictate to us what we shall do. I believe the resolutions prepared this afternoon will be concurred in and will be something we can all stand behind, and we must stand behind, not only with moral support but with money besides. I think the men of St. Louis will do their share, not only the grain men but the banking interests as well. [Applause.]

The President. We would like to hear from Roy Davidson, of the National Wholesale Grocers' Association.

Mr. Davidson. We are naturally interested in the movement that has been discussed to-day, or I would not be sent here from the national association. I am, however, here back to my reporter to report back to my organization your doings here. We are interested, as evidenced by the work the National Wholesale Grocers' Association has done, in prosecuting a suit against the Raisin Growers' Association, of California, which is a cooperative organization not organized for the benefit of the public. I can not act officially, except in reporting officially.

We do not need in this country to-day such propaganda as has been going around. We need more education, knowing more of each other's business. I talked with a group of farmers a few weeks ago, and they were deriding every industry of the country and every proposition that was brought up and having a great shrinkage in value. I said to one man who was a very large farmer in this section, "Your condition is no different from that of any other business man. Every merchant, be he retail, wholesale, or manufacturer, has had a shrinkage in his values the same as you have had. Perhaps he has had more in some instances than you." "But," he said, "we can't get anything for our stuff to-day." I said, "Certainly, neither can the manufacturer nor

the merchant, compared with what he got a year ago." We talked for 40 minutes, and the end was that this man became sold to the idea that there were other men besides the farmer having troubles. He began to see that what we needed was to know a little more about our neighbor's business. I have found, in going about from one organization to another, that soundness are as want to condemn the man across the street, but when we get into his business we find his conditions are the same as ours, and instead of condemning, we should lend the helping hand. In other words, we need more education along different lines. We should educate the public so that they will know more about our business. We have been inclined to hold back certain elements of our business from the public that should have been made public. It has been said that 95 per cent of the business men are honest, and they are. If we let a little of our business sun shine out into the general public eye, we won't have so much condemnation. [Applause.]

The President. We would like to hear from Mr. Payne, of the United States Chamber of Commerce.

Mr. Payne. What is needed to-day, I think, more than anything else is that the public and the farmer shall know more about business. We hear in the chamber constantly of even men engaged in one particular line asking us about their business. There seems to be too little interchange of information, and to-day business is suffering more from that than from anything else. The public does not know anything about business. I have listened with much interest to what has been said here, and you have had some very inspiring remarks. I think the appointment of an active committee that will report at once and do something is going to give you actual results. [Applause.]

The President. I would like to hear from Mr. Wright, president of the Omaha Grain Exchangers.

Mr. Wright. I wish very strongly to endorse all that Mr. Mansfield has told you. We had him out at Omaha last week, but it is very hard to awaken our members to the seriousness of the situation we are in. That meeting was very poorly attended. They have done a splendid work in Illinois, and are working along the right line. Omaha is prepared to cooperate with them, and we are only waiting for their committee to start their literature out to us and we shall work hard at that end. We will have a hard fight in Nebraska, because you know Mr. Gustafson lives in Nebraska, and there are two strong farm organizations in that State. When Mr. Quinn made the call for this meeting I felt we should give it our best support regardless of what organization called it. In the future I believe the only way to accomplish anything is to work together. That is especially true among the grain men, and if we can persuade the other organizations to work with us we will accomplish just that much more. We have sent out from Omaha a great deal of literature, especially this pamphlet of Mr. Griffin's. We sent out 50,000 copies of that and have had good results immediately. The manager of a farmers' organization to whom I gave some copies immediately converted to the president of that organization, so that instead of being, as formerly, a staunch supporter of Gustafson, he is now opposed to him. A banker I sent one to write in for 50 more. The farmer is in a receptive mood for just such information as we are in a position to give him, and we should give it to him at an early date. [Applause.]

A Member. Is Mr. Shortill in sympathy with the committee of seventeen?

Mr. WARD. I would rather not talk out loud on that subject.

A Member. I was informed Mr. Shortill was not.

Mr. Wright. I do not think that Mr. Shortill would admit that he is not. The President. May we not have a word now from Mr. Horner?

Mr. Horner. This subject has been well covered, and I think all are familiar with the details, and it really is time now more for action. I think our sentiment is pretty well crystallized. There is just one thought that goes to the fundamental of this whole thing with me, and that is a misconception of government all over the world to-day, and that is the idea that government is infinite instead of finite. We have it in the extreme in Russia; we have it in the subsidization of labor in England today; and we have it in the bank of the subsidization of labor in North Dakota. We must fight this movement. We are here to-day because of this particular agrarian movement, but the question is really bigger and broader than its influence on the grain business. It means the salvation not only of this country but of civilization, because the Government can not run its business if that were attempted. It is a world proposition that we are here on, and we should recognize that fact. I believe we are on the right solution,

that we must combat this propaganda with propaganda, and must make the farmer to save himself from himself, and I believe we can do that by properly educating the farmer. The average farmer is ignorant of the workings of the marketing of grain and of the marketing of machinery. The average business man is just as ignorant. I think the business man himself is recognizing the abstract proposition of less government in business and more business in government. I was interested in attending the chamber of commerce meetings in Atlantic City last spring, they having that as its slogan. Yet peculiarly every important speaker at the chamber of commerce got his text and in one way or another proposed some regulation of some one else's business. We have got to get down to the point where we will recognize that we not only do not want our own business regulated, but we do not want anyone else's business regulated. [Applause.]

The PRESIDENT. I will now ask for the report of the committee. This committee is composed of Messrs. R. I. Mansfield, chairman; E. A. Reynolds, John McHugh, Joe Lawther, L. W. Forbell, and F. L. Young.

(Mr. Forbell reads report.)

Mr. FORBELL. If you desire this report to be further amplified Mr. Mansfield, the chairman of the committee, will be pleased to answer any questions and enlighten you as to any information in connection with the report.

Mr. YOUNG. I move the adoption of the report as read.

(Seconded by Mr. Wayne.)

Mr. MANSFIELD. In the hasty preparation of this outline we purposely have not stated the object for which this meeting is assembled. I think we should adopt at this time in connection with this plan a set of resolutions setting forth the reason for this meeting, the business for which we are going to organize and work, and set them forth so clearly that when this appears through the medium of the press the plans and the purpose of our organization will be clearly stated and stated without qualification.

Mr. REYNOLDS. I would suggest where you now use "grain world" you use "business world."

Mr. MANSFIELD. We will accept that.

Mr. WAYNE. I suggest you change the word "State" association of commerce and say "city."

Mr. MANSFIELD. Our object was that we intended to reach the State organizations and through them the city organizations.

The SECRETARY. May these other associations be added?

Mr. MANSFIELD. Yes. Undoubtedly there are many other organizations, and we want to use any organization functioning to-day throughout the United States through whom we can work successfully, and this is merely an outline on which to hang the plans we intend to formally launch here to-day. If you have any suggestions along that line we shall be glad to welcome them.

Mr. McHUGH. Couldn't you include in the last paragraph, for the education of the entire business interests of the country, which would include the grain producers and the entire business interests of the country? My thought is that one of the most vital purposes is the education of the grain producers, who are well disposed, naturally, and are simply being misled. I would think it one of the most important functions of the grain movement to educate the grain producers as well as the public interests of the country.

Mr. MANSFIELD. Mr. Reynolds suggests why not make it the producers—not only the grain producers, but producers, because the cotton interests are interested in this and have already signified their intention of uniting with us and amalgamating their movement down there with ours. If there are no objections, we will accept that change.

Mr. YOUNG. Personally, I think this is covered by this statement included in the report, "A general committee not limited in number, representing the grain trade and all allied interests."

The PRESIDENT. My own conviction is that that does not quite cover it. The purpose as outlined is to reach the producers and consumers, and this only refers to allied interests and they might not consider themselves allied interests. It is the very definite purpose and the work of this committee and the organization we are going to create to reach the consumers and producers and educate them. If the committee will accept the amendment, I should like to see it incorporated in the resolution as offered.

Mr. FORBELL. The committee was so hurried and had such a short time that it was almost impossible to cover every phase of the situation in a report of this character and we welcome any suggestion made by the meeting, because we

want the report to be made as successfully and completely as it can be made.

The PRESIDENT. I knew that was so and this amendment will cure it.

Mr. MANSFIELD. I have had several very pertinent suggestions. One is, and this may have appeared to you, that we have not given recognition to the State organizations, either the regular grain dealers or the cooperatives. It might be well to specifically include those in our allied interests and name them outright, so that they will feel we are acting for them and will accept their cooperation. I still feel strongly we should adopt some sort of a resolution as to why this meeting was called and the purpose of it, and in terms that can not be mistaken go on record against unsound business principles, the elimination of competition, and the elevation of monopoly. I think that would simplify the work of the committee.

Mr. CLARK. Would there be any objection to having the farmers' associations incorporated in there?

Mr. MANSFIELD. Not any. I would have in there particularly the State organizations of the grain trade.

Mr. CLARK. I move that such a committee be appointed.

(Seconded by Mr. Horner, and carried.)

The PRESIDENT. I will appoint the committee and ask them to report in a few minutes. They are as follows: Messrs. Horner, Eikenberry, Mansfield, McHugh, and Markot.

Mr. REYNOLDS. The way the notice for this meeting went out, it would seem I was wholly responsible for calling it. I want to disclaim that, although I am not ashamed of it. Mr. Quinn and I went to Chicago and had a conference with Mr. Griffin, and he was very favorable toward the meeting. I am sorry he could not be here, although he is well represented by Mr. Mansfield.

My observation has been that the real source of all of this propaganda and legislative suggestion at Washington starts in the country, starts at the hamlet, the small town, starts where the metropolitan newspapers are not in general circulation. In our State in particular I know that it is fostered generally by the county agent, and the columns of our local newspaper are open to the county agents free to put in any kind of dope they want to, and for a studied campaign of advertisement of the denagogue and of the slyster they could not more successfully advertise the movement than they do free through the county newspaper. I believe that ultimately the way to counteract that is to meet it with the same kind of ammunition. The people in general, not the farmers altogether, must get the truth before them in all of its bearing in order that they will support the movement when it finally comes along.

The villager, the townsman in the medium-sized town, believes what he sees in his own newspaper, and the county agent is responsible for continually keeping that paper chockful of just what he wants to put into it. The untruth and misrepresentation in the end shapes the general opinion. The county agent is usually a man in his first job. He has come out of the agricultural college, and has received his appointment, and is overenthusiastic with the idea that he must make a showing. He is bubbling over, just as some of us did when we made our first successful business move. It is his first success. He is filling a position and drawing a salary from the people's funds. He is going to make good, and it doesn't make much difference what he publishes so long as it looks good to him and makes good with the people. I do not want to call that fellow a liar. I do not think that is the name for that enthusiastic youth; but I have learned that half the truth often becomes an abundant lie, and if you tell half the truth you sometimes have done more harm than if you had told a lie, because you can more easily catch the lie than you can the half-truth.

In our county we have a sales agency, where they are supposed to sell anything from a spring chicken up to a team of horses, and all kinds of produce. They undertook the sale of seeds early this spring. The farmers brought in a few hundred bushels of seed, and after trying vainly to auction it off—each was afraid of the other; every fellow was afraid the other had loaded the seed against him. The books showed they sold \$200 or \$300 worth of seed, and the rest was taken home, and the sale was a failure. I do not suppose 5 bushels changed hands in a bona fide way; but the county agent, the man who managed it, came out with two columns in each of our little town papers telling about the grand success of the seed sale, and he blew it sky high. While 40 or 50 attended, he said that the grand rush of the farming community to this sale indicated what could be expected in the future.

How are you going to meet that? These newspapers will not give us freedom. That success must be paid for to start with, and I think we can reach these people more successfully through the very agency through which they have learned this propaganda than through any other. When the time comes, I hope we will have experienced newspaper men on this committee who will proceed to get at this thing at the source. Just as soon as we take advantage of the elements that are ready for us to take advantage of, namely, the reasonable, sensible farmer throughout the community, who already is in doubt about the propriety of this thing, who already has had in his mind the seed of discord sown by his neighbor who has put over something crooked on him, the sooner you begin at the bottom the sooner we will make a success of the enterprise. I suggest one of the things to do is to begin in the county papers. In our State there are 92 counties, and I suppose there is out an average two papers in each county. It will cost something to get square in each of them, but whenever you go to those people through their own medium of information, you will do a lot toward meeting the situation. I think Mr. Mansfield's idea of personal contact will be very useful, and it will take a lot of work to make it efficient.

A MEMBER. Do not most of the county papers use the patent inside?

Mr. REYNOLDS. Yes.

A MEMBER. What could be used.

A MEMBER. What is the situation with reference to these bills?

Mr. REYNOLDS. In one sense of the word, all the bills I read the captions of this morning, excepting the Capper bill, are practically held in suspense and will probably not receive any consideration in this Congress. These are only a few of the bills introduced. I read these to show you the general trend. The only bills we may expect passage of this year, with which we can not do one particle of good, are the Capper bill and the grain exchange bill. I believe both of those bills will pass.

A MEMBER. What do you mean by the grain exchange bill?

Mr. REYNOLDS. The Tucker bill. With reference to what I said this morning as to Chairman Hansen of the Agricultural Committee of the House, he had expressed to me very directly that he was in favor of exchanges and did not believe the grain interests of the country could be carried on as successfully without the exchanges as with them. That is the idea he has expressed to me in person. I do not think we have any legislation to fear this year except these two bills, and they are quite enough. The packers' bill is now before the President. Those are the three drastic bills.

The President. We have with us Mr. Boyle, of Indiana, who is a member of the Cooperative Association, and I know we should like to hear from him.

Mr. BOYLE. I have enjoyed your discussion here. I know from the way you handle these things that you are going to get a solution of them that will be for the best interests of all. I do not question but that you have for your purpose here the same thing that we have in our organization, that of bettering the condition of all of the American people. I feel quite sure the only difference there is between you and us is in the method we are going to pursue.

It would be absolutely impossible for me to sit as a juror trying your case unless I heard the evidence on both sides. I could not be fair to you men without having heard all of the evidence, and I have often said to our former friends that it was their business to listen to the other side of the question. To study it, because it had another angle, and they might get a different angle if they could just get your viewpoint. We have this idea of you people some times, that you have horns and spiked tails, and that you are ferocious and malicious, and I think the idea is mutual at times. I have never yet met those who differed somewhat, who were honest in their differences, but that, if we sat down and discussed the matter fairly and honestly, not as critics, not with the idea that we would not be convinced, but with a frank feeling that we would have a better understanding—I never discussed a thing thus but that we both went away with a better understanding and a better feeling.

My work is not very much in the grain line. My work is more largely in the line of purchasing rather than of selling, yet I happen to be handling the correspondence of one of the directors of that big machine that is going around the country, the United States Grain Growers (Inc.). So I can see, friends, that it is quite possible that in our organization we have some of that very thing that the rank and file of the grain dealers who are represented here are opposed to, radicalism, socialism, bolshevism, and all the isms that would tear down. Until just recently I had thought that was entirely confined to the

labor unions, and possibly a little to the Northwest farmers. But I see now that there are some within our rank whom you would call false leaders that would lead the rank and file elsewhere. I have never seen the really hard-headed farmer yet who voted except honestly, and basing his judgment on the facts he had. I have seen that radical bunch prevailing from the housestops and from the platform their radical theories, and in an assembly like this two or three men would make noise enough for all you fellows, if you would let them alone, but when voting came, the hard-headed, honest farmer, such as many of your fathers were, voted them down and out, and the same sound doctrines prevailed. Within your organization you are not going to be exempt from that same influence. There will appear before you men who are as designing as are the designing in labor or as are the designing in agriculture, and I beg of you who have the interests of all at heart to carefully study and diagnose all these high-sounding, oratorical propositions that are presented to you some times. I do not think you would allow such men in your midst here, but they will come by the other way. There was a Judas in the first little apostolic band, and there has been one in every band where proper renovation was not used.

We have to throw them out in our organization. They do not represent the farmer. They will be found out and cast out, and I want to say if this great country is ever preserved, the balance wheel that will preserve it is the hard-headed, honest farmer. I want to say to you and to ask you to have just a little bit more confidence in the farmer's ability to diagnose the things you may present to him. After a visit to the various offices in Indianapolis I am convinced that 75 per cent of the intelligence in those various offices was born and bred on the farm, and the great majority of them were in the halls of Congress and it runs through this assembly. I would not have you cast any reflection on your ancestors by ignoring the intelligence that exists on the farm, and some of the intelligence that has made big business what it is—still in the making back there, and I never had a position in my life for which I was qualified. I broke ox teams when I was 11 years old and could not read nor write. I have had some little success, and the whole success came from using of the intelligence that was mine, qualifying for the problems that faced me day after day, and the same thing is possibly true of the successes you have had. Each day brings to you new problems that you must face, and one of them is this thing that is moving forward to-day in the country that is giving you so much concern. I want you to view it in just this light: Do not view it as a disease of the farmer to-day, or of the great citizenship of this country, but rather view it as a system of evils that exists in your industry and in other industries. It is only the evils that have ever caused these things.

Just review the history of cooperative movements in the past. Every one of them has come about because of evil practices, either malicious or otherwise, and each and every one of them subsided when those evils are removed.

I am afraid, friends, that John G. Brown's version of one of the leaders in that bunch of 17, when he was visionary in his proclamation on a trip West, may come true. John G. Brown said to this fellow, after he was explaining the great machine they should have to combat the evils—he called him by name, and he said, "I can see so and so and so up there in a big machine that he built up of big wheels and concrete, with a high-powered motor, without the brakes on, going down a great grade, gaining momentum and speed all the while, and hollering, 'For God's sake, boys, put some brakes under us.' " This cooperative movement, if the disease is great enough, will surely gain new momentum if it is allowed to be fathomed and fostered by the socialistic men who are at all times ready to take advantage of the situation, and its headway and its progress is going to be made easier and greater by the mistakes that you make and the mistakes that you have made.

I have always thought, as I now think, that the best thing that could happen to a country at any time, when it is in distress like this country is now, in the marketing of its grain, would not come about by the destruction of the machinery that had functioned the best of any machinery yet used; that it should not be junked, but I want to say you have much stuff in your organization and in the machinery you have built up, a machinery which because of its nature made it very easy for you to have been inefficient—and I do not say that with disrespect; it was following the line of least resistance. I can remember when money came easily to me during the war time. I held out my hand and said, "I want so and so," and did not ask the price. I made the merchant inefficient, and he in turn made the wholesaler inefficient, and a great deal

of inefficiency spread through the country. You have a great deal of you inefficiency in your organization that will have to come out. All that is good in your machine you have built up will survive and all that is unfit and un-necessary will perish, and the same is true of our organization.

There is a great deal of sentiment connected with my memory of the little old log schoolhouse down in a great section of woods in the mountains of east Tennessee. I love to think of that schoolhouse and of the little church that sprang up afterwards, but in their stead there is a large community church and a large consolidated school, and I am not sorry, friends, that the old ones are gone. They served their day, and all the good that is in them has been perpetuated, and when there ceased longer to be a demand for their existence they went out, and although we regretted it very much, we all rejoice that in their stead there is something better.

I hope that the institution set up by the committee of seventeen will work with you people and not fight you, because in fights there is nothing accomplished. The Great War could easily have been eliminated had they sat around a peace table and talked of terms, willing to give and take, as they finally had to do after they had eliminated one and almost the others. You people can fight the United States Grain Growers (Inc.) and the cooperative movement, and there will be less accomplished. The United States Grain Growers Co., if there be hot-headed leaders among them, if they choose to fight and bring on a fight, there will be less accomplished and if there will be a waste of energy. But there is a chance to use that which you have that is good. I am not willing to admit that the committee of seventeen built up a machine in which there is no good and no hope of service. If there is anything in it, use it. I want to say also that I feel sure they are willing to use all they can see of good in your machinery that you have built. It is for you to convince them and convince the leaders, sell the proposition or the good in your proposition to the leaders as you go down the line. Go over to the Federated Market Service and sell it to Mr. McCullion and Mr. Mason and to me. You will find us willing to study the proposition with you. We will be willing to go forward and to try to bring out of this chaos a prosperous condition that will be good for the farmer, and if it is good for the farmer it is going to be good for you, because when the farmer has no money you have no business, nor has anyone else. The farmer will spend money as long as he has any money coming from his crops, but as soon as that crop calls for digging into his capital, he begins to retrench and the result is disastrous.

It is so far away from you people and from the city, just as the gentleman spoke about this advertising in the hamlets—it is so far away, you do not realize he is hurt and is ruined. My farming game cost me \$3,500 last year on just a small farm. The farmer is worse hurt than you realize. I do not believe there is a yellow streak in him, or that he is unwilling to do his part, but, friends, he is unwilling to be grubstaked. That is the thing. If you are familiar with mining operations in the West, you will understand the position a man is in who is grubstaked. He goes out and works all summer for a half interest in what he finds. Some one finances him. You people have been financing us farmers, and so often we have only been grubstaked.

A thought was suggested to my mind, and I know the man who suggested it was very honest, but he did not analyze the thing from the farmer's viewpoint. He said the farmer who had not speculated in high-priced land was pretty well fixed to-day. I believe that is true, but I would remove the word "speculate" from it. I would say the farmer who was very conservative, who had not any vision of the future in business, who was contracted, and I would say most of his neighbors would class him as stingy, who did not support the big things that won the war, who lived within his sphere, who took three-dollar wheat and high-priced hogs and put the proceeds not in business but in bonds and in the bank, he now has it. But the farmer who you oftentimes think was a speculator was only a patriotic tenant or farm owner, and when the people came to him, like they did to the business man, and asked him to produce, he reached out and invested his war profits and assumed obligations to buy.

The President. I am very sorry, Mr. Boyle, but our time is getting so very short that I fear we will have to take up the next matter of business.

Mr. Boyle. I thank you very much. [Applause.]

The President. We are glad to have heard Mr. Boyle talk to us, and I was sorry to have to interrupt him. The chair will not reply to what he has said, because we are limited in time, but I do want to say just one thing, and that is

that I hope when he goes back to those whom he represents that he will tell them that the grain dealers of this Nation are not allied in any way, fashion, or form against the interests of the producing classes of America. [Applause.] That our sole purpose in coming together in this deliberative body on this occasion is to provide ways and means of bringing to the farmers and to the consumers of America the fact that the grain dealers of this Nation, and the business interests of this Nation respect their rights, regard their interests as their own, and that we demand that our interests have consideration at the hands of our Government, and that we are willing and anxious to serve the interests of this country on a fair basis of remuneration for our services. We do not want a great organization such as is now being brought about through farmers' movements to misrepresent the grain dealers of this Nation to the point where they will arouse in the hearts and minds of the producers a prejudice against our services, or arouse in the hearts and minds of the consumers of America a prejudice against our services, and we are gathered here now for the purpose of providing ways and means for bringing to the attention of both classes the real service that we render, in order that our interests will be protected and in order that their interests might be protected against the oligarchy, the socialism, the anarchy, the infamy of those things that are being brought to bear to misinform and misdirect the farmers and others of this country whose interests are bound to suffer when ours do. [Applause.] I believe we got off just a little wrong on this resolution. The first resolution the committee proceeded to report, and we immediately got off on another lay. My own conviction is that we should revert now to the original question, the adoption of the original resolution brought before the conference by the committee, and then we will take up the report from the other committee. It has been necessary to interpolate these resolutions somewhat, in order to clarify them, and since I did it, in consultation with the secretary, I will read this corrected draft which has been agreed to by the committee.

Mr. MANSFIELD. May I suggest we change the relative position in the second paragraph of the United States Chamber of Commerce, and have them bend the list? I think in view of the fact that that is the highest notch in our organization it should head the list, preceding the National Millers' Association, and I will so move.

(Seconded by Mr. McCord, and carried.)

Mr. CLARK. I move the Chair appoint the committee.

(Seconded by Mr. Wayne.)

Mr. J. E. COLLINS. I would suggest that Mr. Mansfield be made executive chairman, and let him pick his own committee.

The President. We are now ready for the resolutions.

Mr. MANSFIELD (reading):

- "Whereas the grain trade and general business interests are directly menaced by adverse legislation, both State and National, arising on demand of organized special interests; and
- "Whereas we hold all class legislation to be vicious, indefensible, and inimical to the general welfare; and
- "Whereas we deplore the attempt of special interests by class legislation to break down the present competitive, individualistic business principle and the substitution thereof of bureaucratic control; and
- "Whereas this menace of adverse legislation is the result of widespread dissemination of misinformation and false economic theories; and
- "Whereas it is the duty of every loyal citizen to oppose movements which are destructive of the best interests of this country; Therefore be it

Resolved, That the representatives of the organizations here assembled pledge themselves to a campaign of education for the correction of the erroneous impressions which are widely prevalent and which have resulted from the spread of these false doctrines, and that we pledge ourselves to organize opposition to all class legislation, both State and National.

"L. W. FORRELL.

"JOE LAWLER.

"JOHN McHUGH.

"BEN MARGUS.

"R. I. MANSFIELD."

Mr. J. E. COLLINS. I move the adoption of the resolution.

(Seconded by Mr. Wayne, and carried.)

The PRESIDENT. There seems to be some diversity of opinion as to whether the proceedings of this conference should be published in full, and there is some doubt among the representatives here as to whether we should publish all of the proceedings. It would be well to decide whether or not we want them published. I can not see the least objection to it.

Mr. McFARLANE. I think some of us believed that what we said would not be set up in type. My statement was entirely imprudent, and I assumed it would not be incorporated in print, and I think that was the case with most of the speakers.

Mr. COLLINS. I feel that the appointment of the executive committee, the chairman of which is scheduled in this work, will cover this, and that they should have the control of all publication. I believe the publication of many of these things would be unwise. I suggest the stenographic proceedings be submitted to the chairman of the executive committee for censoring, and after being looked over by him it can be given out.

Mr. LICKENBERRY. I believe it would be well to release the resolution just produced, and that gives the press something definite, and which shows just what the convention by its own action desired to say.

Mr. McFARLANE. The representative of the United States Chamber of Commerce asked me to state that as to his position the same is true as with me. He felt at liberty to speak here as a guest of this group, although he is not a delegate. But he would not want his statements put in print without an opportunity to look them over.

Mr. ECKENBERRY. I move there be released to the press the resolutions adopted, and that we do not release the entire record of the meeting.

(Seconded by Mr. Clark and carried.)

The PRESIDENT. The chairman of the temporary committee has asked us to announce that he desires to supply each of you with a copy of the general resolution adopted and a copy of the other resolution, to take back home with you.

Mr. MANSFIELD. Mr. Gates, at Washington, asked that we in this meeting attempt to bring all possible pressure to bear upon the Senators and Representatives in connection with the bill now before the Senate down there, and that means that we want your active cooperation. They told me I was to go down there from Cincinnati, but I can not do that, but they are acting in our behalf. They need the assistance of every man in this room, and I believe every man here is in a position where he could do some effective work when he gets back by working along the line he knows best to bring influence to bear on these people. I have heard of several of the people here who are in a position to do us some good, and I believe that will accomplish more than you realize. The crucial time for the bill is the next few weeks, and the influence must come, as it came at Springfield, when worked by the individual behind the politician, behind the Senator, and working that way you will secure your man's vote if it can be secured. That is what Mr. Gates has asked that we present to you in the name of his committee and the people who are working there at Washington, and none of us should forget it.

I want to say, too, that I am going to take hold of this thing just as I did at Springfield. I believe this committee will fight just as that committee did. We are not going to know success or failure; we will not admit defeat or victory; we are going to fight through until the larger committee takes hold of this work and carries it to a successful conclusion. [Applause.]

The PRESIDENT. If there is nothing further, I will declare the meeting adjourned.

(Adjournment.)

(Whereupon at 12:25 o'clock p. m., the subcommittee adjourned, subject to call of the chairman.)

X

INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING LEGISLATION FOR THE RELIEF OF AGRICULTURE

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-SEVENTH CONGRESS
SECOND SESSION

PURSUANT TO

S. RES. 110

TO INVESTIGATE ACTIVITIES OF THE NATIONAL GRAIN
DEALERS' ASSOCIATION AND OTHER ORGANIZATIONS
ENGAGED IN COMBATING LEGISLATION FOR THE
RELIEF OF AGRICULTURE

MARCH 13, 1922

PART 3

Printed for the use of the Committee on Agriculture and Forestry



WASHINGTON
GOVERNMENT PRINTING OFFICE
1922

INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING LEGISLATION FOR THE RELIEF OF AGRICULTURE.

MONDAY, MARCH 13, 1922.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met, pursuant to call, at 10.30 o'clock a. m., in room 201, Senate Office Building, Senator Henry W. Keyes presiding.

Present: Senators Keyes (chairman), Ladd, and Smith.

Senator Keyes. The committee will come to order.

Since the last meeting of the committee I am in receipt of this letter, under date of March 7, 1922, from the president of the Chamber of Commerce of the United States of America, in reference to the resolution before the committee, and will ask that that be inserted in the record.

(The letter referred to is here printed in full as follows:)

CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA,
Washington, D. C., March 7, 1922.

Hon. HENRY W. KEYES,
*Chairman Subcommittee of Committee on Agriculture and Forestry,
United States Senate.*

DEAR MR. CHAIRMAN: The preambles of Senate Resolution 110, which is before your committee, mention the Chamber of Commerce of the United States as a member, or as a future member, of a projected national organization with an announced purpose of combating legislation for the relief of the farmers of the country, said organization being an outgrowth of a meeting held in Cincinnati under the auspices of the National Grain Dealers' Association.

Having obtained a copy of hearings held before your committee on January 23, we have hoped that the testimony taken by your committee was sufficient to demonstrate that the use of the name of the Chamber of Commerce of the United States in publicity which followed the meeting at Cincinnati, held east June, was wholly without justification. We have noticed, for example, the testimony of Mr. James E. Black, in which was included a copy of a letter we had sent to Mr. Howard Leonard, president of the Illinois Agricultural Association denying that the Chamber of Commerce of the United States had a part in the organization mentioned or had any expectation of having a part, and the testimony of Mr. Charles Quinn, secretary of the Grain Dealers' National Association, in which, at page 151, Mr. Quinn said, in connection with the presence of a member of our staff, that it had been made very distinctly understood that there was no official representation and that the member of the staff was merely there to "listen and see what was going on." He added: "There was no use of our trying to commit them to any policy whatever, because they had no control."

These passages in the record of your committee are in accordance with the facts. Nevertheless, we observe that misrepresentations regarding the Chamber of Commerce of the United States in this connection continue to be made in various newspapers. Since a misunderstanding persists among these newspapers, we wish to prevent any misunderstanding on the part of your committee.

Consequently, we take this means of placing before you the following facts:

The National Grain Dealers' Association is not a member of the Chamber of Commerce of the United States and was not a member at the time of the meeting which has been mentioned.

Although the Grain Dealers' National Association, under date of June 9, 1921, asked us to send delegates to the Cincinnati meeting, and asked for "a big delegation," we informed the Grain Dealers' National Association that we could not participate and that a member of our domestic distribution department would be present only in an unofficial capacity and by reason of the interest of our domestic distribution department in all questions of distribution.

Mr. G. H. Paine, assistant manager of our domestic distribution department, in fact, attended the meeting, and when he returned reported that he had personally told both the president and secretary of the association that he had no power to commit the Chamber of Commerce of the United States in any way.

Since the Cincinnati meeting there has been no communication of any kind received by us from the Grain Dealers' National Association, or anyone else, proposing or asking our participation in any such plan as is mentioned in Senate resolution 110, and the Chamber of Commerce of the United States has contemplated participation in no such plan.

When statements began to appear in the newspapers immediately after the Cincinnati meeting connecting our name with the results of the Cincinnati meeting, we made some inquiries and ascertained that the statements in the newspapers were based upon a mimeographed statement which had apparently been handed to them. This mimeographed statement contained the following:

"Organizations which have or are expected to pledge support to the central organization include the Chamber of Commerce of the United States, local chambers of commerce, * * *."

There was no more reason for an expression of such an expectation with respect to the Chamber of Commerce of the United States than with respect to local chambers of commerce generally, and in the case of the Chamber of Commerce of the United States there was no basis for the expectation.

Very truly, yours,

JOSPH H. DEFREES, President.

Senator KEYES, I understand that Mr. Mansfield and others desire to give some further testimony in regard to the resolution before us, and if there is anyone present who desires to be heard further the committee is ready to hear them.

TESTIMONY OF MR. A. E. REYNOLDS (Resumed).

Mr. REYNOLDS, Mr. Chairman and members of the committee, I am here to review the answer which Mr. Black gave to my testimony given before this committee under date of January 30, 1922.

I suppose it is understood that we are under oath?

Senator KEYES, Yes: you were sworn at the last hearing.

Mr. REYNOLDS, I have taken an oath to tell the truth, the whole truth, and nothing but the truth.

My observation of testimony given under this kind of an oath forces me to the conclusion that failure to tell the whole truth often leads to a false conclusion.

That the telling of only a part of the truth is often worse and more misleading than telling a deliberate falsehood.

In Mr. Black's testimony before this committee on February 18 he dealt at some length with my testimony and documentary evidence filed by me with this committee regarding an article appearing in the *Francesville (Ind.) Tribune*, under date of January 19, 1922, entitled "What's the matter with business?" He stated that he had written to Mr. Fitzpatrick, editor of the *Francesville Tribune*, regarding the article.

In Mr. Black's testimony he used the following language:

"So I wrote a letter to the editor of that paper asking him the basis of those figures, or if he really intended that they should be representative of Francesville, which is a small town in Pulaski County, Ind., which has a couple of elevators, also a mill, it being a farming community, and Mr. Judson Fitzpatrick, the editor, replied that they were not representative of Francesville."

The quotation above read is taken from Mr. Black's testimony before this committee.

I am unable to state just why all of the facts with regard to the letter written by Mr. Black to Mr. Fitzpatrick and Mr. Fitzpatrick's reply to the same were not brought out by the filing of these two letters in the records with Mr. Black's testimony.

I can only conclude that giving part of the truth contained in these letters better fitted Mr. Black's purpose than giving the whole truth contained therein.

I will complete the fragmentary evidence given by Mr. Black on this subject by reading the letter of inquiry sent out by Mr. Black and Mr. Fitzpatrick's reply to the same.

This is all given under oath, that these are true copies. I would ask the privilege of reading those letters.

(The letters referred to were read, as follows:)

FEBRUARY 14, 1922.

THE CRABBS REYNOLDS TAYLOR CO.,
Crawfordsville, Ind.

GENTLEMEN: We are inclosing you some correspondence that has just passed between this office and the U. S. Grain Growers (Inc.) relative to a recent article that appeared in our paper. We desire that you forward our correspondence on to Mr. Reynolds at Washington, as we do not wish to be placed in the position as having published articles that are misleading and without merit. Our answer to the U. S. Grain Growers is self-explanatory.

Yours, truly,

JUDSON FITZPATRICK,
Publisher Francesville Tribune.

This is to certify that the above is a true and correct copy of a letter signed by Judson Fitzpatrick, publisher Francesville Tribune, dated February 14, 1922, directed to Crabbs Reynolds Taylor Co., Crawfordsville, Ind.

H. L. GRAY.

Subscribed and sworn to before me this 4th day of March, 1922.

[SEAL.] ALF. L. PARISH, Notary Public.

U. S. GRAIN GROWERS (INC.),
Chicago, Ill., February 12, 1922.

EDITOR FRANCESVILLE TRIBUNE,
Francesville, Ind.

MY DEAR SIR: In connection with some hearings being held in Washington before the Senate Agricultural Committee, an article that appeared in your paper on January 19, 1922, was brought into the record. The heading of the article was "What's the matter with business?"

The contents of the article were introduced by a man by the name of A. E. Reynolds, who operates a number of grain elevators and whose home, I believe, is in Crawfordsville. He stated that such articles were misleading and dangerous to the tranquility and contentment of the farmers in small communities, such as your own, and therefore he felt that they should be controverted. What I would like to have you answer for me, so that I can refute his statements, is whether or not the prices you used in that article for various commodities, such as corn, ham, flour, cotton, etc., were based on the prices prevailing in your own local town or whether the basis of your prices were quoted from some other article and represented general average prices. Mr. Reynolds went to great length to show wide discrepancies in your price figures and those that he said were correct for Francesville for such commodities at that time. Your full reply, in as great a detail as you are able to give, will be greatly appreciated, giving source of your figures, etc.

One more thing that I would like to ask you, because a man in your position is generally the most informed in a community. This Mr. Reynolds poses as a friend of the farmers and the farmers' cooperative movement. Will you please furnish me with any facts that can be substantiated if challenged as to whether he is such a friend or not. If he is not friendly to the farmers either by word or deed, please give me some instances, particularly as to prices he may pay for grain that are out of line with the exchange prices, etc., or any other activities that do not seem friendly.

Now, we have to answer these questions at the Washington hearing, and I shall be leaving here Wednesday to defend the right of farmers to organize cooperative marketing machinery, so your immediate reply will be appreciated. A return envelope is inclosed.

Very truly, yours,

JAMES E. BLACK.

CRAWFORDSVILLE, IND., March 4, 1922.

This is to certify that the foregoing is a true and correct copy of a letter signed by James E. Black, directed to the editor Francesville Tribune, Francesville, Ind., dated February 12, 1922.

F. L. GRAY.

Subscribed and sworn to before me this 4th day of March, 1922.

[SEAL.] ALF. L. PARISH,
Notary Public.

FEBRUARY 14, 1922.

The U. S. Grain Growers Association.

Chicago, Ill.

GENTLEMEN: Thank you very much for calling our attention and making inquiry about an article which appeared in our paper under date of January 19, 1922, which you say has been controverted or refuted by Mr. E. A. Reynolds, of Crawfordsville, Ind., before the Senate Agricultural Committee. The article in question was headed "What's the matter with business?"

This article was clipped by us from *Cappers Weekly*. We thought it was merely a burlesque upon the then present conditions, therefore we printed it without crediting it to the *Capper* publication. It met with the approval of the farmers of this community, but with the disapproval of our local business men, who stated that the figures quoted were misleading and not representatives of those affecting either merchandise or grain prices at that time, which was quite correct, with the exception of some instances at least.

We did intend to explain the misleading statements in a subsequent article, but thought best not to do so owing to the fact that our rural constituency might construe that we had an ulterior motive in so doing. The conditions prevailing in Senator Capper's State may have merited the publication of such an article, but it certainly did not fit our local situation.

Personally, we believe that the string of elevators controlled by the Crabbs Reynolds Taylor Co., of which Mr. A. E. Reynolds is a director and owner, have built their business on fair, square dealing with the farming public. We could cite you to a recent instance wherein the telephoning took place from this office, wherein this concern was able to save one farmer, Jasper Pass, of this county, over \$132 on 600 bushels of buckwheat. Other elevators in the county, private and cooperative, refused to bid over 75 cents, whereas the above concern bought it at figures better than 90 cents.

This was not intended as destructive competition, but because the Reynolds people have large seed markets and were more capable when it came to their selling distribution. The above concern has always been from 3 to 5 cents higher on their prices of grain purchased than many of the elevators around us, regardless of the fact that some were privately owned while others were under cooperative control.

Here in this community we have a cooperative elevator which does a very good business along beside that of its able competitor, the Crabbs Reynolds Taylor Co. elevator. They are both business patrons of this office, but should either of them show a disposition to be unfair to the rural community, we would feel no hesitancy in giving the matter full publicity.

We regret having published the *Capper* article, as our position is such that we wish to maintain our rating as publishing a paper that may be depended upon when it comes to the truth and veracity of statements concerning any one or any corporation. Again we thank you for your inquiry.

Yours, truly,

JUDSON FITZPATRICK,
Publisher *Francesville Tribune*.

CRAWFORDSVILLE, IND., March 4, 1922.

This is to certify that the foregoing is a true and correct copy of a communication sent to Crabbs Reynolds Taylor Co., by Judson Fitzpatrick, publisher *Francesville Tribune*, *Francesville, Ind.*, which he represented to be a copy of a letter sent by him to U. S. Grain Growers Association, 59 East Madison Street, Chicago, Ill., under date of February 14, 1922.

H. L. GRAY.

Subscribed and sworn to before me this 4th day of March, 1922.

[SEAL.]

A. F. L. PARISH, Notary Public.

MR. REYNOLDS: I call particular attention to Mr. Black's effort to obtain from Mr. Fitzpatrick something damaging to me personally or to the business I represent. I also call your attention to the high minded, gentlemanly way in which Mr. Fitzpatrick handled the matter. I do not enjoy the personal acquaintance of Mr. Fitzpatrick, but he must be a high-class man to stand up for the truth in face of the almost universal wave of falsehood regarding business, which is now sweeping the country. If we had a few thousand such editors of country newspapers, truth would soon prevail and the continuance of the campaign of the Grain Dealers National Association to spread truth instead of falsehood would not be necessary.

I submit herewith certified copies of Mr. Black's letters to Mr. Fitzpatrick and Mr. Fitzpatrick's reply to the same, and request that they be entered at this time as part of my rebuttal testimony.

The next paragraph of Mr. Black's testimony insists that the article in the *Francesville Tribune* and the figures therein given had nothing whatever to do with the U. S. Grain Growers (Inc.). I must certainly agree with him that they had nothing to do with it, and in no stage of the game did I say in my testimony that the U. S. Grain Growers (Inc.) had anything to do with this article. Nor was the campaign inaugurated by the Grain Dealers National Association at their Cincinnati meeting started solely against the U. S. Grain Growers (Inc.). I therefore wonder why Mr. Black has put so much stress on this part of my testimony. Since the U. S. Grain Growers (Inc.), through Mr. Black, accepts and assumes the role of being the party most injured by the campaign of the Grain Dealers National Association, we must conclude that the reason is that this campaign for promulgation of truth runs counter to the basic principles on which they propose to operate.

Mr. Black throughout his testimony seemed to desire that your committee believe that the Grain Dealers National Association undertook at their Cincinnati meeting, a campaign directly aimed at the U. S. Grain Growers (Inc.). Such is not the fact, as is evidenced by the copy of the resolution passed at the Cincinnati meeting, and which was given as a part of Mr. Mansfield's testimony before your committee on January 30.

The whole aim of the Grain Dealers National Association has been, and still is, to carry on a campaign of general education and in my testimony I simply put forward the *Francesville Tribune* article as a sample of the kind of propaganda that our association thinks should be corrected.

Mr. Fitzpatrick's many acknowledgments of his error in taking from the *Capper Weekly* a full column without stating that it was so taken from another paper, certainly exonerates him from any blame in the matter. As you will note by Mr. Fitzpatrick's letter, he stated that he published the article because he thought it was a kind of burlesque upon the present conditions. He further states that the article met with the approval of the farming community, but with the disapproval of the local business men, who stated that the figures quoted were misleading and not representative of conditions existing at *Francesville*.

You will note by this statement of Mr. Fitzpatrick's he substantiated my claim that such articles do find lodgment in the mind of some of the farming community, regardless of how ridiculous they may seem, and by such lodgment they are aiding to establish and foster a strong feeling of hatred and enmity in the minds of the farming public.

This, gentlemen, is one of the very things that the Grain Dealers National Association is trying to combat.

I am certain that Mr. Fitzpatrick had no ulterior motive in printing the article. He has very thoroughly exonerated himself. No such false statement will again occur in his paper. To that extent our campaign at least has been successful and it would be successful in correcting such things all over the country if we were able and had the money to put before all the people the plain truth, just as we have done in this case.

I firmly believe that there are thousands and thousands of such cases, because hundreds of them have come under my direct observation, and I can not and do not believe that this committee wants that kind of propaganda to go through the country. It is proven to you by documentary evidence, sworn to here, that that case was a flagrant instance of erroneous figures and statements.

The last paragraph of Mr. Black's testimony reads as follows:

"In connection with Mr. Reynolds's testimony I just want to say that we received a letter last year from a farmer who stated (that is the firm of which Mr. Reynolds is a member, which has a number of old line elevators through Indiana. I think he has 16 elevators in Tippecanoe County, Ind., alone)."

I do not take any exception to that. We haven't that many elevators. We have about half that many in that county.

This farmer stated that he had received an offer from the Crabbs Reynolds Taylor people for No. 1 wheat last June at \$1 a bushel at his station, South Raub, Ind. At the same time that grade of wheat was selling on the Indianapolis Exchange, less than 60 miles distant, at \$1.40, showing that they were taking a pretty wide margin of safety there to cover freight or anything else, for only a 60-mile haul."

If I could not refute that I would stand chagrined before this committee. If any firm in the United States has taken a toll like that on grain, I think they ought to be in the penitentiary.

After Mr. Black read this statement, Senator Smith, of your committee, asked if he had any documentary evidence to substantiate the statement. Mr. Black replied that he had the letter. He did not read the letter. He did not offer it in evidence. Why? I again must conclude that part of the truth served Mr. Black's purpose better than all of it.

I will again endeavor to piece out this fragmentary evidence and bring out of it all of the truth. I am particularly glad that Mr. Black brought up this case, not gentlemen, only for personal reasons, but I do resent it from a personal standpoint also.

It is a glaring example of thousands of cases of false and misleading statements, with which the country has been flooded. It is a concrete example of the false propaganda on which the present damnable campaign against honest business has been inaugurated and is now being prosecuted.

In dealing with this matter I shall not presume on the credulity of this committee. Documentary evidence should be forthcoming when asked for by you. I shall, therefore, deal with documentary evidence only.

I hold in my hand and will present as a part of this rebuttal testimony a certified copy of the original letter referred to in the above paragraph by Mr. Black, and which he did not see proper to file with you as documentary evidence. I would like to have you note very particularly this letter. It is on technicalities that the trouble starts. This is the farmer referred to all through and is the farmer who reported to the association that we were taking 42 cents margin on grain.

(The letter referred to was read, as follows:)

SHERIDAN FARM,
South Raub, Ind., June 29, 1921.

U. S. GRAIN GROWERS (INC.),
Chicago.

GENTLEMEN: Referring to my letter to you of 24th ult and your reply of 27th ult signed Leo U. Moser, also booklet you sent.

I am much interested but conditions are special and so I need special information. There is no cooperative elevator.

A local grower's organization is not feasible.

Will have 147 acres winter wheat, 80 acres spring wheat, and 55 acres oats to harvest on this farm.

If I can persuade the Crabb-Reynolds-Taylor Co. to load wheat for me at their South Raub elevator (they shelled and loaded some soft corn for me in May, 1918, for 5 cents per bushel of ear corn) what should I pay them per bushel? (Of course I will have to pay their price or not ship, but what would be a fair price?)

They (C. R. T. Co.) are offering \$1 to-day for No. 1 wheat and I understand that grade is selling at Indianapolis on track only 60 miles away for \$1.42 (day before yesterday).

To whom should I ship? If I can devise a course of action that promises more money than selling to C. R. T. elevator, I will join Grain Growers (Inc.).

If I pool, to whom will I ship? How much advance can I draw on this grain before it is sold and from whom? Is pooled grain insured? Who pays the freight? When will I receive balance of my money from grain pooled? Do you think pooling will net more this year than selling at harvest? Do I have to pool one-third of my wheat? If I sell, what price will I get? Suppose I were to sell to-day, what would I get for Turkey red winter wheat No. 1, Marquis spring wheat No. 1, Oac 72 white oats No. 1.

What would freight cost me? What would be probable shrinkage? What charges would I have to pay as a member of Grain Growers (Inc.)?

Very truly,

ALEX L. SHERIDAN.

Crabb-Reynolds-Taylor Co. prices to-day: Wheat No. 1, \$1; corn, 45 cents; oats, 27 cents; and rye, 92 cents.

* * * * *

MARCH 3, 1922.

I, Richard F. Long, of Chicago, Ill., do hereby affirm that the above is a true copy of letter received at the office of the U. S. Grain Growers (Inc.), and signed by Alex L. Sheridan, of South Raub, Ind.

RICHARD F. LONG.

Sworn to before me this 3d day of March, 1922.

IRMA P. JEWELL.

My commission expires February 16, 1926.

Mr. REYNOLDS. "The day before yesterday" is what I want to call attention to. I want to just comment a little on this.

As I have said, this letter was written on the 29th of June, and it spoke of the markets "day before yesterday." I want to call your attention to this. The price referred to there, of course, on June 29 in our section was old wheat, whereas you will see by the affidavit I will present here directly that the price we named this man was on

new wheat, which had not been threshed yet, and conditions were changing very rapidly between the 27th and the 29th of June.

I just want to call your attention to the clouded ideas of Mr. Sheridan regarding this Grain Growers' contract which had been presented to him to sign. He asks all of these questions. I want to tell you Mr. Sheridan is a college graduate, a man way above the average of what you might call the country farmer, the tenant. He owns this land himself in this case, and we would expect that he would interpret a contract as well as or better than the average farmer. But, you see, he asks all of these questions, because he is bedclouded with that very indefinite and uncertain contract which these people presented to him and which they do present to all of these farmers to sign. I gave one day to it since our last hearing, and I am still about as ignorant about it as I was before.

I call very particular attention to this letter because of the misuse to which it was put and the failure to quote it exactly as written. At no place did they quote that "day before yesterday," which was the crux of the whole proposition, so far as this particular testimony is concerned.

In the Chicago Sunday Tribune, under date of September 18, 1921, under the caption "Wheat growers find cooperative marketing profitable, etc.," Mr. Ridgeway, the author, used the following language: "The other day S. H. Sheridan, of South Raub, Ind., said there was a spread of 42 cents between the local price at his station and the cash price at Indianapolis, 60 miles away."

Mr. Sheridan does not even say that. His figures show 40 cents and not 42 cents. Their own is bad enough, however. Note carefully this statement. First, it was under date of September 18, and it used the words "the other day," referring to the date on which the letter was received. The expression "the other day" is common in our language, and means usually only a few days ago, probably within a week. You would naturally suppose it was at least during the fore part of the month of September, as the expression was used on the 18th of that month.

Mr. Black was a little more explicit by saying "last year." It is a wonder that he did not say "the other day"—it was only about eight months afterwards.

The article does not state how Mr. Ridgeway gained his information regarding the letter. We want to show you that Mr. Ridgeway must have received this information direct from the U. S. Grain Growers (Inc.), because the letter above read was directed to them.

Please observe that the date of the letter referred to as being received "the other day" was June 29, 1921, nearly three months before Mr. Ridgeway used it in the Chicago Tribune.

We want to call your attention to the fact that the letter was misquoted, either intentionally or by error. Note particularly the fact that the letter, dated June 29, specifically stated that the market to which he referred was "day before yesterday." We want to call your attention in general to the fact that this whole affair smacks strongly of a conspiracy to injure a legitimate business. In substantiation of all of these statements I wish to present herewith evidence contained in the following affidavit:

(The affidavit referred to was read, as follows:)

STATE OF INDIANA,
Montgomery County, ss:

Alex L. Sheridan, of South Raub, Tippecanoe County, Ind., being duly sworn upon his oath says that on the 29th day of June, 1921, he wrote and mailed to the U. S. Grain Growers (Inc.), Chicago, Ill., a certain letter, a copy of which is attached hereto, marked "Exhibit A," and made a part hereof.

That in said letter this affiant referred to Crabb Reynolds Taylor Co., owners and operators of an elevator at South Raub, Tippecanoe County, Ind., and amongst other things used the following language:

"They (C. R. T. Co.) are offering \$1 to-day for No. 1 wheat, and I understand that grade is selling at Indianapolis on track only 60 miles away for \$1.42 (day before yesterday)."

The affiant further says that afterwards, to wit, on the 18th day of September, 1921, an article entitled "Wheat growers find cooperative marketing profitable, etc.," was published in the Chicago Sunday Tribune of September 18, 1921, purported to be written by Frank Ridgeway, which article amongst others, contained the following statement:

"The other day S. H. Sheridan, of South Raub, Ind., said there was a spread of 42 cents between the local price at his station and the cash price at Indianapolis, 60 miles away."

This statement was made in connection with a discussion of the wheat market, and as affiant understands the statement, it referred to the wheat market.

The affiant further states that it has been brought to his information that said published statement, omitting, as it does, a specific reference to the particular days and dates referred to by this affiant in the paragraph of his letter of June 29, 1921, hereinbefore quoted, does not do justice to affiant if the published statement is based upon the affiant's letter of June 29, 1921, which he supposes it to be. Affiant says that there is no such person at or in the vicinity of South Raub, Ind., as S. H. Sheridan, and that this affiant is the only person, as affiant believes, who was intended to be referred to in said newspaper publication by the name of S. H. Sheridan.

The affiant further says that the paragraph of his said letter above quoted was based upon information obtained by affiant from the Indianapolis News rural edition, date of June 28, 1921, containing market quotations of June 27, 1921.

The affiant further says that he is informed and believes the fact to be that on the 29th day of June, 1921, the day on which he wrote the latter herein referred to, that the bids made by Indianapolis dealers to Graham Reynolds Taylor Co. for wheat, to be shipped from South Raub, Ind., were \$1.10 per bushel f. o. b. cars South Raub, Ind. for No. 2 wheat or better, for shipment by July 15, and \$1.06 per bushel if shipped by July 25. That he understands and believes that the freight to Indianapolis, Ind., from South Raub, Ind., is 71 cents per bushel.

That based on this information the difference between the market at South Raub, Ind., on the 29th day of June, 1921, would be 173 cents per bushel if shipped by July 15, and 141 cents per bushel if shipped by July 25, instead of 42 cents as shown by his letter which represented the difference in market conditions between the 27th of June and the 29th of June, 1921.

The affiant further says that the statements contained in his letter of June 29, 1921, were correct and true, but that a misunderstanding has arisen due probably to failure to read carefully this letter of June 29, 1921, and this affidavit has been made to correct this misunderstanding.

ALEX L. SHERIDAN.

Subscribed and sworn to before me this 7th day of March, 1922.

ALF L. PARISH.

[SEAL.]

My commission expires April 19, 1922.

MR. REYNOLDS. I want to say that I do not know Mr. Sheridan. I never saw him until he came to my office. I had one of my men telephone to him and say, "Mr. Sheridan, I will have to ask you to go to Washington," and he came to see me. I had nothing to do with that affidavit more than he wanted us to call in an attorney, and between them they framed the affidavit as representing his idea of things. It was framed in my office to avoid his coming to Washington to testify.

They had gotten his initials wrong, and his name, and he put in a paragraph there to correct that also.

Now, I just want to comment a minute. A man engaged in business out in Indiana, his whole business interests are jeopardized by false statements of his action. Fair treatment is the only thing on which I have been able to stay 35 years there doing business, and fair treatment would not be taking 42 cents a bushel, and I have proven to you by the man himself that the most margin I could get would be 173 cents, and then I would have all charges, as I will show you. I feel just as bad, Senator Ladd, as you would if any newspaper came out, when your record is well known on a certain matter pending before the Senate, and said that you had steadfastly done the other thing, when it was known that you did not do it; when it represented your action falsely, and when you stood for the right of the thing all the way through, and was on the right side, and when people come out with statements which tend to ruin your record in the Senate it is just the same as ruining my reputation in business.

You will observe that Mr. Sheridan, after very careful investigation, says that the spread on the price of grain between South Raub, Ind., and Indianapolis, Ind., on the day referred to by Mr. Black, was from 14 cents to 173 cents per bushel, according to time of delivery, instead of 42 cents per bushel. Now, Mr. Sheridan did not ever say "42 cents a bushel," but the Tribune quoted it 42 cents a bushel. He might just as well have said "2." The lie would not have been any bigger. It would have just been quantity, that is all.

Mr. Sheridan also says that the freight to Indianapolis was 71 cents per bushel. He went to the railroad and got it. He did not take our statement. Careful analysis of these figures will show that the outside net margin that the buyers of grain in South Raub could possibly obtain at that time would be 61 cents to 101 cents per bushel, owing to whether it would be shipped by July 15 or July 25. Now, those are the facts. As it went down to the farming community whom they wanted to prejudice against me and my company, it was 42 cents a bushel profit that I was getting, when here is an affidavit, gentlemen, by the so-called injured parties showing it was only

61 cents to 101 cents per bushel. Please remember that from this 61 to 101 cents must be deducted all of the discounts for failure to make grade (and you gentlemen understand that wheat does not always grade what we think it will), loss in weight (you understand there are always certain losses between point of shipment and point of delivery), expense of handling, loss and expense in cleaning and other miscellaneous charges.

I say to you gentlemen under oath—and I am talking under oath here—it would not average with our company 14 cents a bushel net.

Now, gentlemen, in the face of facts and in the name of fair dealing and reason, both of which should prevail in American business, let me appeal to you as to whether the Grain Dealers' National Association is not justified in starting and maintaining a campaign of education to controvert such damaging and slanderous statements as circulated in this case.

Mr. Sheridan did not willfully make a false statement. In view of the facts before him he might be justified in reaching the conclusion that he reached, but the people who say proper to make use of his statement to mislead the public should have had before them all the data to verify the facts, but in my judgment they were not looking for the truth. This, the greatest grain cooperative selling institution in the United States, therefore in the world, to allow such falsehood to go past them brands them where they belong. They were aiming to use all statements that came before them, whether true or false, to further their own ends, regardless of truth or who they might in the end injure. Just such willful misrepresentation as is proven in this case by documentary evidence herewith filed with you is the very kind of misrepresentation and falsehood that the Grain Dealers' National Association aims to correct, and are striving, and, please God, may they continue to strive to put before the people the truth, which in the end must prevail.

During the giving of Mr. Black's testimony Senator Smith asked him if the U. S. Grain Growers, (Inc.) was one of the cooperative marketing associations. Mr. Black answered as follows:

"It is the cooperative grain marketing organization that was organized last April, a Delaware corporation, the largest grain marketing corporation in the United States."

Senator Smith later put this question to Mr. Black:

"Have you submitted in your previous testimony here any evidence showing that the U. S. Grain Growers Cooperative Association have been instrumental in getting a better price at given markets?"

In answer to this Mr. Black said:

"Well, we have not marketed any grain, Senator. This is a new organization. It was only incorporated last April."

Now, in further substantiation of this statement that they have handled no grain, I want to introduce here the following clipping taken from the Indianapolis Star under date of March 6.

(The clipping referred to was read, is here printed in full, as follows:)

[Indianapolis (Ind.) Star, Mar. 6, 1922.]

GRAIN SALES CO. INCORPORATED—WILL OPERATE IN CHICAGO, KANSAS CITY, OMAHA, MINNEAPOLIS, AND INDIANAPOLIS.

CHICAGO, March 5.

Officers of the U. S. Grain Growers (Inc., to-day announced the incorporation of the United States Grain Growers' Sales Co., a subsidiary organization which it is planned will operate at once in Chicago, Kansas City, Omaha, Indianapolis, and Minneapolis markets. The subsidiary organization, according to officers of the U. S. Grain Growers, will be the largest grain-selling firm in the world.

More than 110,000,000 bushels of grain will be marketed each year by the selling company on present membership basis, officials said. Recently a membership campaign has resulted in an additional 2,000 farmer membership each week, making an increase of more than 4,000,000 bushels a week contracted with the farmers' organization.

TO PERFORM FUNCTIONS OF LOCAL FIRM.

The United States Grain Growers' Sales Co. will engage in a general grain business and perform all the functions of grain firms in the terminal markets at the present time, President C. H. Gustafson said.

Directors of the selling company plan to appoint advisory boards from the directors of the farmers' elevators and local grain growers' associations in territory tributary to the branch offices, it was announced.

Membership in the U. S. Grain Growers (Inc.) has passed the 50,000 mark, officials said to-day. They announced that more than 85 per cent of their 50,075 grain growers are concentrated in Illinois, Nebraska, Indiana, North Dakota, Iowa, and Missouri.

Senator LADD. What is the date of that?

Mr. REYNOLDS. It is dated March 5, taken from the Indianapolis Star of March 6.

Senator LADD. That does not state that they have marketed, does it?

Mr. REYNOLDS. No. It states they expect to market. You will note that the U. S. Grain Growers (Inc.), has caused to be organized a new sales company. It would appear, therefore, that the U. S. Grain Growers (Inc.), do not intend to handle grain. I wonder what function it does propose to perform in the future. It has not handled any grain yet, according to their own testimony by Mr. Black.

You will note further in this clipping that the president of the U. S. Grain Growers (Inc.), states that they have a membership of 50,075 farmers. They have obtained these members by solicitation among farmers in various States, collecting as a membership fee \$10 from each subscriber. In order to secure this large membership they found it necessary to establish in Chicago a school of training for their agents. Just what was taught in this course of training I am not able to state. Let us hope that it did not teach methods such as are indicated by their handling of the Sheridan matter.

Now, gentlemen, in conclusion I want to call your attention to this very large membership of 50,075 members of the U. S. Grain Growers (Inc.), each of whom has paid \$10, and an aggregate sum of \$500,750. I ask you to keep in mind that the so-called gigantic slush fund which was raised by the Grain Dealers' National Association, and which you are called upon to investigate, was \$62,000. In view of the authority which you possess under the resolution creating your honorable body for the purpose of investigating all things pertaining to the grain interests; also in view of recent developments of bucket-shop practices of certain organizations in New York, Detroit, Chicago and elsewhere; in view of the Alfred E. Lindsay affair in New York, in which millions were filched from his women victims; in view of Ponzi's schemes in Boston and the Bishop affair in Chicago; in view of the total collapse of the \$27,000,000 American Cooperative Association in Chicago; in view of the general ballooning methods of financing the country over; in the "get rich quick" methods being used with impunity throughout the country to filch from the unsuspecting and innocent investors, would it not be advisable for this committee to learn what has become of the \$500,750 acknowledged to have been received by the U. S. Grain Growers (Inc.)?

We most earnestly urge on you the advisability of bringing before you the officers of this corporation who so vehemently oppose the campaign for education and truth being carried on by the Grain Dealers' National Association, and that you learn from them, under oath to tell the whole truth, as to what disposition they have made of this large sum of money—and, I might add, a good deal more borrowed.

Your report will show what has been done with the \$82,000,000 raised by the Grain Dealers' National Association. Why not let the same report show to the people of the country what has been done with the \$500,750 which the farmers of the country have entrusted to this corporation for the purpose of handling grain, which by their own admission, has not handled one bushel of grain, and has now organized a new ring within a ring, for what purposes I am not able to state.

I submit to you, gentlemen, the question, Why is it not feasible and advisable and wholly to be desired that you learn and let the country know what disposition has been made of this fund?

I thank you.

Senator KEYES. You say in addition to the money raised by the \$10 received from each member you understand there was money borrowed?

Mr. REYNOLDS. Yes, sir.

Senator KEYES. Have you any information or knowledge on that?

Mr. REYNOLDS. I have no documentary evidence, but I could get it for you. They borrowed \$10,000 from our State Farmers' Association. I have not the documentary evidence. I could supply it.

Senator LADD. I would like to ask another question. You say they had over \$500,000 paid in?

Mr. REYNOLDS. Yes.

Senator LADD. Is it true that they have collected that from those farmers? Do they state that they have?

Mr. REYNOLDS. They state that they have 50,075 members, and their contract says no man can become a member until he pays the \$10; and in our community where they have taken subscriptions, not where I live, but at Francesville, they paid their \$10 in advance.

Senator LADD. You are sure of that in all cases?

Mr. REYNOLDS. Yes, sir.

Senator LADD. I ask the question because I have been informed that in a great majority of the cases they have taken notes to be paid when the grain is sold. I may be misinformed. I don't know whether that has been brought out in the testimony or not.

Senator KEYES. To my recollection, it has not. In the testimony of Mr. Thorne the statement was made that a man became a member by paying \$10 and signing this contract. I think I asked Mr. Thorne about how many members there were, and I think, as I recall it, he said there was around 50,000. I supposed from that they had paid \$10 each; possibly not in cash. I don't think that has been testified to.

Mr. REYNOLDS. In conclusion, because I hope I shall not have to come back any more, I just simply want to say that I have not a bit of enmity in this matter at all. I have been unwarrantably attacked, and attempts have been made to injure me in my business. I hope I have given sufficient proof that I am not guilty. But, gentlemen, I do believe down deep in my soul that this is a method by which the farmer is being—I don't want to use the wrong word here—at least deprived of money for which he can not get a return, and in all honor to you, Mr. Senator, I believe that this thing has entirely gone beyond what your committee of 17 intended it should do.

Senator LADD. Then I think you should present the facts.

Mr. REYNOLDS. I beg pardon.

Senator LADD. If that is true, then I think it is up to you to present the facts.

Mr. REYNOLDS. Haven't we? In what particular? I think we have. In the first place, I call your attention to the fact that this large amount of money ought to have produced results. Now, the result, seemingly, that it has produced, is to actually injure legitimate business, because I stand open to challenge that my business is a legitimate business, an honest business, and I have substantiated it by affidavits here from disinterested men, and I could not remain in it 35 years without that. I am doing business right alongside of cooperative elevators, and I submit to you gentlemen, some result of a beneficial, honorable character, should have developed between last April and up to now out of all this effort and expenditure of this large sum of money.

Further, I want to say, it is not the farmer that is doing this. It is largely the paid hireling, paid demagogue that has no interest beyond getting the money in his pocket for doing this thing.

Senator LADD. That is a pretty serious charge.

Senator KEYES. Do I understand you are referring to—

Mr. REYNOLDS. I have named nobody.

Senator LADD. I gained the impression that you were referring to paid solicitors.

Mr. REYNOLDS. I am referring to demagogues that go abroad all over this country doing that very thing, that go into a community and use false statements, such as were used in the Sheridan case, to say that honest business men are filching the cash of honest out of the farmer on his grain, for taking grain out of South Raab to Indianapolis, which is a damnable lie made out of whole cloth, which no man should have made without first knowing the facts; and that damages me, and I am just as jealous of my reputation as Senator Ladd or Senator Keyes. That is the reason why I came here, and why I am willing to give up my time, and why I gave my money to this fund of the Grain Dealers' National Association to help get the truth over instead of helping put over such damnable lies, which I believe are put over to swindle the farmer. That is what I believe. And you people don't want that done.

Senator LADD. I don't want what you claim, but I want you to prove that it is done.

Mr. REYNOLDS. I don't know how I can go further. If you want a thousand cases we can go out and get them. That will keep you in session all summer.

Senator LADD. What you have stated is that they have collected from the farmers over \$500,000, for which the farmer has got no return or never will get any return.

Mr. REYNOLDS. I said I believe that to be true. I do. I think the fact that they have collected it from this, coupled with the fact that they have got 50,075 members, and that their contract says that a man only becomes a member when he pays \$10. That is testimony given before you on January 30. Now, then, either they did get the \$500,000 or they have not got 50,000 members, or they let men in as members without paying.

Senator LADD. That would not necessarily follow, would it?

Mr. REYNOLDS. I can not see any other way.

Senator LADD. If they took a man's note to be paid when the grain is sold—

Mr. REYNOLDS. Now, Senator—

Senator LADD. I am only asking that question, because I have heard that is the case. Mr. REYNOLDS. Now, Senator, even if that is so, is not the giving of a note payment? It is the payment of one obligation by assuming another.

Senator LADD. That is very true in one sense; but you say that the money has been all spent. I don't know whether that is so or not. If it has not been collected it certainly has not been spent.

Mr. REYNOLDS. No, Senator. I ask you people to find out what has been done. If it is in the banks and with a good intention behind it to serve these people, that \$500,000, I have not anything more to say.

Senator LADD. I inferred, from what you said, that not only did they have that fund, but that they had borrowed large sums in addition.

Mr. REYNOLDS. In my State several members of the farmers' organization told me that the officers of our State association had loaned to the U. S. Grain Growers (Inc.) \$10,000 early in their career, and that they had promised to loan them \$10,000 more the 1st of December past. Those facts will come out if you make the investigation that we are beseeching you to carry on. We only want the facts. We don't want this thing to come up in the future with a grand failure like the American Cooperative Association of Chicago.

That fund of \$207,000 of money did get away. Now, then, we don't want that. No possible good can come to me by failures of this kind. No possible good can come to my business by dishonesty in the grain business. I don't care whether it is under the U. S. Grain Growers (Inc.), the Chicago Board of Trade, or Ed Reynolds's business. No good can come to me at large by these failures and by dishonesty. I only urge that we do get the facts, and if somebody has got \$500,000 from these farmers and given them nothing, in Heaven's name is it not the business of the Senate of the United States to know it and to see that your efforts here, through the appropriation of millions to help further the interests of the farmers, are not thwarted by such dishonesty, if it exists? That is all I ask.

Now, there is another thing I want to speak of here. I have not seen this part of the testimony, and I am only speaking from what Mr. Mansfield says, that some testimony was brought out here in regard to the Grain Dealers' National Association meeting in Cincinnati, that it was held upstairs behind closed doors. I hope you gentlemen have all been to the Sinton Hotel, in Cincinnati. I took my breakfast there yesterday morning.

This meeting was held in the big dining room, I mean in the circular dining room right off the office, with doors not less than 7 feet wide leading right off the main rotunda, 20 feet from the clerk's desk. That door was open all the time. The dining room was not being used that day, and we held our meeting in the center of that dining room, with the doors open, and they had representatives there.

A farmers' cooperative man spoke to us that day, or rather an agent, an agent who was in the coal trade, I think. Now, then, that is a false statement, gentlemen, that there was any secrecy about that meeting. The truth certainly ought not to hurt. Why do they want to say that we held it upstairs behind closed doors? There was nothing anything secret about it. I don't know how many men came in that room that day and sat at a table and went out. There was no thing secret about it.

Now, another thing I want to tell you. I am not challenging the statement made by Mr. Black in regard to the number of elevators we have—16 elevators, the Crabbs, Reynolds, Taylor Co. We have at Francesville a cooperative elevator that is now in third hands, second hands since its building. We get along with them, just as Mr. Fitzpatrick says, well. We go right along there. We pay, sometimes, more than they do. I don't say we always pay as much as Mr. Fitzpatrick says we do—3 cents to 5 cents over everybody. We don't always do that, but sometimes we do.

Then we have at Lafayette, Ind., a farmers' concern. We go right along there. They do not have any fault to find.

At Francesville, my home town, we have a farmer elevator. I want to say that two of those elevators, one at Francesville and one at Rawfordsville, are away above the average cooperative elevator that I am acquainted with. We get along all right. I don't care how much competition I have, and I have said to my associates time after time that we must fall if we can not do the business as well as or better than some other man, because this is the day of revolution in business, and whenever I can not stand to pay as much and give my customers benefits for what they sell to me, and pay them what I ought to, I ought to go down. But I have a record of 35 years, and I am proud to have such testimony as Mr. Fitzpatrick brings to you, and I am very jealous of my reputation, and I do not like to have men come and twist the truth into such fantastic shapes as is proven by the documentary evidence that I have presented to you. Senator KEYES. That is all, then, Mr. Reynolds. We are very much obliged to you for your testimony.

Mr. REYNOLDS. I thank you very much for your courtesy.

Senator KEYES. Is there anybody else to be heard?

FURTHER TESTIMONY OF MR. R. I. MANSFIELD.

Mr. MANSFIELD. If I may, I would like at this time to read the affidavit of Mr. Thomas T. Hoyne, of Chicago.

STATE OF ILLINOIS, County of Cook, ss:

Thomas Temple Hoyne, being duly sworn, makes the following statement in reply to the rebuttal testimony of Mr. Black, given before an investigating senatorial subcommittee, of which Senator Henry W. Keyes is chairman: I offer the following in my own defense, as Mr. Black's testimony is rather an attack upon me personally, by innuendo and otherwise, than any attempt to rebut my testimony, given before the committee of January 30, 1922.

First, I wish to state that I have no connection whatever with the Grain Dealers' National Association or the Chicago Board of Trade; but as an American citizen and one who was at one time engaged in work of a most confidential nature for the Government of the United States, I believe I am keenly alive to what, in my opinion, are dangerous menaces to our present form of government—movements among groups and classes engineered by "near-thinkers" under the guise of high-sounding names. Such schemes are being reflected in class legislation that is a danger and a disgrace to a free republic. One such scheme is, in my opinion, the U. S. Grain Growers (Inc.). This opinion I have already given, with the documentary evidence, such as the contract farmers are urged to sign and the order of the Securities Commission of the State of Minnesota, forbidding the sale there of stock in the Farmers Finance Corporation, a subsidiary of the U. S. Grain Growers (Inc.), upon which that opinion is based.

I shall answer Mr. Black's attack upon me, first generally, and then specifically.

1. He disparages my legal ability to analyze the U. S. Grain Growers (Inc.) contract.

2. He assails my work as a newspaper man.

3. He impugns my motives in publishing a book entitled "Speculation; Its Sound Principles and Rules for Its Practice."

If I allow his innuendoes to go unanswered the force of my testimony already given might be weakened.

1. I am a member of the Illinois bar: a graduate of the John Marshall Law School of Chicago. I practiced law in Chicago in association with the firm of Hoyne, O'Connor & Irwin, the senior partner being my father. His father before him was senior partner in the firm, one of the oldest in Chicago. I was associated in New York City with the law firm of MacLay & McBurney. My uncle was the senior partner. His father before him was the senior partner. I took the bar examinations for admission to the New York bar, passed them and received my certificate. I was never formally admitted to the New York bar because I returned to Chicago to live during summer adjournment of court. I gave up the practice of law because my hearing was defective.

2. By innuendo Mr. Black suggests that I began newspaper work very recently. I have done newspaper work on many papers in various cities for most of the time during more than 20 years, and never before have my ethics as a newspaper man been assailed. I have worked in various capacities at different times for the New York Tribune, The Chicago Examiner, the Chicago Post, Tribune, Inter Ocean, Journal, the Memphis Scimitar, the Los Angeles Examiner, and other papers.

3. My motive in publishing "Speculation; Its Sound Principles and Rules for Its Practice" is largely to awake business and the public generally to the evils that threaten them in the way of class legislation, communism, Bolshevism, and insane economic theories which so often mark a postwar period.

Specifically, Mr. Black says:

"Take, for instance, the article that he (Mr. Hoyne) wrote in the Chicago Herald and Examiner of July 26, 1921, the title of which is 'Warns farmers new marketing pool is a wildcat.' That, of course, does not sound like an attack on anybody at all. That line was not written by me. It was written by the headline writer whoever he may have been. Furthermore, in the whole article in question there is not the slightest expression of opinion by me. Nearly every word of it is quoted. The story is written in the usual newspaper style, but it is entirely impersonal so far as the writer is concerned."

If, furthermore, Mr. Black will examine my testimony he will observe that I have never even attempted to pretend any friendly feeling for the United States Grain Growers (Inc.). On the contrary, he will see that I attempted to show the Herald-Examiner that in my opinion it was a gigantic fraud.

I said, however, that my instructions from Mr. Mansfield were not to attack the United States Grain Growers in the work I did for the Grain Dealers National Association.

2. Further on Mr. Black says:

"However, after he (Mr. Hoyne) had written these articles, he got into difficulty with the head of the paper, and he was retired from the service of the Herald-Examiner and went to work entirely for the Mansfield committee. Soon after he had gone over from the Examiner to the Mansfield committee this little pamphlet which Mr. Mansfield seemed to think very highly of, and which he himself referred to in very complimentary terms, came out."

Mr. Black is entirely mistaken. The pamphlet "Sign Here" came out before I left the Herald-Examiner, and I myself gave a copy of it to the president, at that time of the publishing company which publishes the Herald-Examiner. I have reason to believe it was sent to the biggest stockholder of that publishing company. There was nothing mysterious or secretive about my writing it; my name is on it, and no one else's.

3. Mr. Black says:

"As Mr. Hoyne said that the book was a legal analysis of the Grain Growers' contract, I shall refrain from passing judgment on it, because I am not a lawyer."

Even the most rudimentary knowledge of law is not necessary to see the iniquitousness of the contract when once it is pointed out. Just common sense is sufficient.

Mr. Black says in regard to the lawyers of the U. S. Grain Growers (Inc.):

"The men who passed on the contract for the U. S. Grain Growers were men who actually gave the cooperative marketing work their special attention, working on the preparation of contracts, and they are familiar with the cooperative system from its earliest days, back in California. Two of the men are from California, where cooperative marketing is farthest advanced in this country. But Mr. Mansfield testified that five attorneys had passed on the contract, but he does not name his attorneys, and we can not tell who they are. All I know is that Mr. T. Hoyne, whom I named, is one of the attorneys who passed on the contract for the U. S. Grain Growers, and other men of reputation who have authority on such matters, and I just want to get a comparison between the type of committee that passed on it for him and the type that we had called in to pass on the legality of the contract for the U. S. Grain Growers."

I quote below from the order of the State Securities Commission of Minnesota, denying the right to sell stock of the Farmers' Finance Corporation, a subsidiary of the United States Grain Growers (Inc.) in that State. A copy of this order, I believe, is a part of the record. It indicates by inference the unfamiliarity of counsel for the United States Grain Growers (Inc.) with the cooperative statutes of Minnesota:

"(4) The applying company is a subsidiary of the U. S. Grain Growers (Inc.) both organizations being the outgrowth of a movement which purports to be a cooperative movement among grain growing farmers. By years of development the so-called cooperative movements in this and other States have come to have certain settled features which are deemed essential and which are regarded as present in all such movements, these features being set forth in the cooperative statutes now in effect in this State, chapter 352, General Laws of Minnesota for 1919 as amended. These essential features are not embodied in the present organization, which, on the contrary, is a close corporation with unusually broad powers and control vested entirely in 21 shares of no-par-value stock, and which corporation denies to the purchaser of stock all rights and privileges usually incident to the holders of stock in a cooperative organization. The offer and sale of the stock in question in connection with the movement represented by the U. S. Grain Growers (Inc.), and the applying company is therefore misleading and deceptive.

"For the foregoing reasons the commission is of the opinion that the offer and sale of the preferred stock in question is likely to be fraudulent within the meaning of chapter 429, General Laws of Minnesota for 1917 as amended."

It is therefore evident that at least under the laws of one State where permission has been sought to sell stock and do business, the same has been denied on the ground that it was likely to prove fraudulent.

Mr. Black says:

"Mr. Hoyne described himself as a writer. I recently, in Chicago, ran across his recent venture in the literary line as set forth in a circular letter and return postcard that he very lavishly distributed among the members of the Chicago Board of Trade. He is now writing or has just finished writing a book entitled 'Speculation; Its Sound Principles and Rules for its Practice.' This may be had for the modest sum of \$2.50 per copy."

"Mr. Hoyne probably considers himself well qualified, by his previous experience, to write a book on this subject of speculation. He used to be associated with his brother, a former member of the Board of Trade, as a market writer for the firm. Despite Mr. Hoyne's authoritative and expert assistance in the art of profitable grain speculation, his brother's business took a tour through bankruptcy. After this little

episode Mr. Hoyne, who appeared down here, T. T. Hoyne, went into newspaper work, and later engaged himself with Mr. Mansfield. I was discussing the matter with a man who was on the exchange floor over there, and he told me early this week that he did not believe that many of the boys around there, the traders, would be interested in Mr. Hoyne's book, or would buy a copy, because most of them had forgotten more about speculation than Mr. Hoyne ever knew."

In regard to Mr. Black's remarks concerning the failure of my brother with whom I was associated as a writer of daily market opinions, I will merely say that copies of my daily letters were filed with the secretary of the Board of Trade in accordance with the Board of Trade rules. I have no doubt that they are still on file. Mr. Black can look at them and I feel certain that it will appear that the opinions expressed for 60 days or more before the failure were correct, about 65 per cent of the time.

In reply to Mr. Black's disparaging remarks in regard to my book "Speculation; Its Sound Principles and Rules for its Practice," I simply offer a copy of a letter from the U. S. Grain Growers (Inc.), signed by Leo C. Moser, who, I believe, is Mr. Black's superior in the staff of that organization.

FEBRUARY 14, 1922.

ECONOMIC FEATURE SERVICE, Chicago, Ill.

GENTLEMEN: Kindly send us, on publication, one copy of "Speculation; Its Sound Principles and Rules for its Practice," by Thomas T. Hoyne.

Upon receipt, we will promptly pass your bill for payment.

Very truly, yours,

LEO C. MOSER,
Department of Information.

This letter was received among the very first hundred subscriptions for the book, although neither the U. S. Grain Growers (Inc.) nor Mr. Moser was solicited by letter or otherwise for a subscription.

Before I had seen Mr. Black's testimony or knew anything whatever about its nature, the following reply was sent to Mr. Moser:

MARCH 6, 1922.

MR. LEO C. MOSER,

U. S. Grain Growers (Inc.), Chicago.

DEAR SIR: Your order of February 14 for a copy of "Speculation; Its Sound Principles and Rules for its Practice," by Thomas Temple Hoyne, received. As practically all of the small edition of this book is sold by subscription, we are inclosing a postal card for you to sign and remit to us, so that you may be assured of receiving a copy.

Yours, very truly,

ECONOMIC FEATURE SERVICE.

The postal card was the usual C. O. D. order for the book. Mr. Moser signed it and remailed it promptly, the postmark bearing the date of March 6, 7 p. m.

The fundamental purpose in the book in question is not at all what Mr. Black pretends to suppose. It is to educate business and the public generally to the dangers that confront them if wild, insane economic schemes such as the U. S. Grain Growers (Inc.) and Prof. Irving Fisher's "Commodity Dollar" are allowed to go unchallenged in their menacing absurdity.

In conclusion, I wish to urge upon the investigating committee, merely as a citizen, that it call before it the treasurer of the U. S. Grain Growers (Inc.) and inquire into the financial status of this cooperative organization that is collecting money from farmers, after all hope, apparently, of floating the Farmers' Finance Corporation has been abandoned, and although President Gustafson, of the U. S. Grain Growers (Inc.), writing in "American Farming" for July, 1921, in referring to the Farmers' Finance Corporation, said:

"That is why a strong finance corporation is the keystone of the entire cooperative marketing movement."

Respectfully submitted.

THOMAS TEMPLE HOYNE.

Subscribed and sworn to before me this 10th day of March, 1922.

[SEAL.]

ALBERT B. BOWMAN,
Notary Public.

Mr. MANSFIELD. The first statement which Mr. Black made concerning my testimony was a statement by him that no direct attack has been made upon the grain trade in the State of Illinois, such as I spoke of, in the month of June or July, 1921, because no paid solicitors of the U. S. Grain Growers had gone into the field, and therefore it was impossible for any work to have been done.

I want to offer in evidence at this time, as proof that work was being actually pushed forward in all of the Middle Western States, the minutes of the meeting of the U. S. Grain Growers (Inc.) of April 28, 1921, and, passing by all of the stuff that is not germane to the subject, I go down to this paragraph:

"Report of committee on information department:

"3. We recommend that Mr. Leo C. Moser be designated as director, department of information, and that he be paid a salary of \$8,000 per year.
That recommendation was acted upon at that meeting. I will file that copy of the minutes with you as evidence.

(The minutes referred to are as follows:)

U. S. GRAIN GROWERS (INC.).

MEETING OF THE EXECUTIVE COMMITTEE.

The executive committee of the board of directors of the U. S. Grain Growers (Inc.) met at the Hotel LaSalle, Chicago, Ill., Room 1809, on April 28, 1921, 10 a. m. On roll call the following members were present: Anderson, Donnell, Eckhardt, Gustafson, Hyde, Myers, Obrecht, Robinson, Schilling; constituting a quorum of the committee.

It was moved, seconded, and unanimously carried that the minutes of the previous meeting of the executive committee of the board of directors be adopted, as corrected. It was moved, seconded, and unanimously carried that a committee composed of Chairman Gustafson, Mr. Robinson, and Mr. Anderson, be authorized to confer with Mr. C. O. Drayton, Greenville, Ill., at as early a date as possible in regard to the organization work in connection with the Farmers' Equity Union.

Upon motion duly made, seconded, and carried, meeting adjourned until 1.30 p. m.

Meeting called to order at 1.30 p. m., all members being present.

Report of committee on sales department.—In the proceedings of the last board meeting the sales committee was instructed to prepare recommendations as to the amounts that shall be set forth as liquidated damages for breach of contracts with growers. This has not as yet been determined. Likewise, a time has not been set nor any recommendations made as to when contracts shall become operative. These two matters should be determined at this meeting as it is understood that contracts can not be printed until they have been finally passed upon. This is submitted as a partial report and permission is desired to submit a supplementary report later at this meeting.

Report of committee on finance department.—The treasurer started negotiations for loans without the seal and without printed notes. The treasurer has tentatively probably \$1,000,000 promised him, but until notes are made out and the seal is ready notes can not be issued. There is about \$15,000 that can be deposited in a very few hours' time, so that money is available to pay expenses. The vouchers for disbursing money should be ready to-day or to-morrow. If everything comes through right the only thing to delay these is the seal, and it is suggested that the seal be provided immediately.

Report of committee on transportation department.—This committee has nothing of importance to report at this time. It is looking forward to securing a traffic manager and has written to Mr. Goemann. Mr. Goemann, it appears, who is living in Chicago, intended leaving here, and a very nice letter from him was received Monday, saying that he had concluded to retire and had little desire to take up any work at this time. He did not suggest anyone else. A traffic manager is not essential just now. This is a matter that possibly won't come up until the next directors' meeting in July and can be considered and discussed at that meeting.

Report of committee on organization department.—The organization department suggests that the secretary make a report of the joint session of organization and information departmental committees by reading the minutes of our proceedings yesterday. The report of the organization department will be covered almost completely by this joint report with this exception:

The organization department suggests that organizers be paid a salary of \$200 per month, out of which they must pay their living expenses, such as hotel and board, but that their railroad fare be paid. No recommendations are prepared as to any other salaries for organization work. The agreement was that a school be estab-

lished, and it was suggested that a corps of four or five men as teachers be secured. One of those men should be a man who was closely identified with the Canadian wheat board. The names of A. A. Elmore, of the Pacific Northwest, and Dr. E. G. Nourse, Ames, Iowa, were suggested. It was agreed that every director who was thoroughly familiar with all of the articles of incorporation and by-laws also should attend the school. This work to be under the general counsel.

The farmers are all interested in having some one from the Department of Agriculture explain the Federal warehouse storage act. It is suggested that this is one of the biggest things to be kept in mind from a financing standpoint. Very few farmers are familiar with the Federal warehouse storage act, and the Government will furnish a representative, without expense, because the department is exceedingly anxious to get this before the farmers and grain dealers of this country. Mr. J. M. Mehl is an ideal man for that work, also for special investigation work. He is a graduate of a law school and managed a cooperative elevator for several years.

Report of committee on legal department.—The committee on legal department had no report to make other than that presented last week, but wanted the opportunity of conferring and submitting a short report later.

Report of committee on statistical department.—The committee on statistical department had nothing definite to report at this time. It has in mind the selection of a man for this work and has discussed the proposition with a few people, including Mr. Theo. D. Hammatt, who worked with the Committee of Seventeen and who is now employed as special assistant secretary to the Kansas State Board of Agriculture.

Report of committee on information department.—The committee on information department recommends:

1. That publicity of a general warning nature to farmers be sent out advising them to sign no documents or contracts of any nature whatsoever until they are assured that they are signing documents of the U. S. Grain Growers (Inc.). This recommendation is offered because of the fact that there will be many imposters in the field purporting to represent the U. S. Grain Growers (Inc.).

2. We recommend that every officer, employee, or other person representing the U. S. Grain Growers (Inc.) in any capacity whatsoever be required to carry an identification card on which may be found his title or official capacity, his photograph and his signature, said card to be signed by the president and secretary of the U. S. Grain Growers (Inc.), with the seal of the U. S. Grain Growers (Inc.) impressed in such a manner as to cover a portion of both the photograph and the signatures of the officers.

3. We recommend that Mr. Leo C. Moser be designated as director, department of information, and that he be paid a salary of \$8,000 per year.

4. We further recommend that the committee on information department be authorized to gradually increase the working force of the information department as the necessity therefor arises.

FRANK M. MYERS, Chairman.
JOHN T. BELK.
F. A. MUDGE.

APRIL 27, 1921.

Mr. MANSFIELD. That was acted upon at the meeting, and Mr. Moser became the director of publicity. Immediately there began to appear in the State of Illinois posters of this character [indicating], and I desire to file with the committee either this poster itself or to have incorporated in the record of the proceedings of this committee the phraseology of that poster.

Senator KEYES. You can put into the record a copy of the posters.

(The posters referred to are as follows:)

COMMITTEE OF SEVENTEEN'S GRAIN MARKETING PLAN.

Farmer's Cooperative Elevator or Local Grain Growers Association. (A) sales or (B) pool. Contract. Membership U. S. Grain Growers (Inc.), growers of grain, controlling, 1, export corporation; 2, terminal warehouse corporation; 3, finance corporation; 4, service departments; 5, other subsidiaries.

Farmer's have now reached the supreme opportunity of joining hands so that organized buying can be met by organized selling and whereby the grain will move to the market meeting consumer demand by available supply. The success of this movement depends upon the readiness with which you will cooperate and join the U. S. Grain Growers (Inc.). Your grain will then be merchandized by your own men as the markets require it, and every cent not required for marketing the grain will be returned to the producer.

The finance corporation will provide money to carry the grain from the period of heavy marketing to the period of demand by mills, foreign buyers, etc.

World-wide conditions and the true law of supply and demand will then make the price instead of speculation, market manipulation, squeezes, etc.

Farmers must stand together so that the producers of food, with a declining soil fertility, shall not be driven into peasantry.

The interest of the farmer, the country banker, and the country merchant are mutual. What helps the one must help the other. What helps them all will help the Nation.

For further information write U. S. Grain Growers (Inc.), Chicago, Ill.

C. H. Gustafson, president; J. M. Anderson, first vice-president; George C. Jewett, second vice-president; C. H. Hyde, third vice-president; Frank M. Myers, secretary; Wm. G. Eckhardt, treasurer.

Directors: J. M. Anderson, St. Paul, Minn.; H. W. Avery, Wakefield, Kans.; J. T. Belk, Henry, S. Dak.; U. L. Burdick, Williston, N. Dak.; Robert N. Clarke, Stronghurst, Ill.; H. W. Coit, Renner, Tex.; P. E. Donnell, Waco, Mo.; Wm. G. Eckhardt, De Kalb, Ill.; C. H. Gustafson, Lincoln, Nebr.; C. H. Hyde, Alva, Okla.; George C. Jewett, Spokane, Wash.; James K. Mason, Milton, Ind.; A. L. Middleton, Eagle Grove, Iowa; F. A. Mudge, Peru, Ill.; Frank M. Myers, Fort Dodge, Iowa; James Nicol, South Haven, Mich.; R. C. Obrecht, Topeka, Kans.; J. D. Payne, Loveland, Colo.; H. W. Robinson, Cleveland, Ohio; W. F. Schilling, Northfield, Minn.; V. H. Smith, Wasco, Ore.

Address all communications to U. S. Grain Growers (Inc.), Chicago, Ill.

Farmers have now reached the supreme opportunity of joining hands so that organized buying can be met by organized selling and whereby the grain will move into the market meeting consumptive demand by available supply. The success of this movement depends upon the readiness with which you will cooperate and join the U. S. Grain Growers (Inc.). Your grain will then be merchandized by your own men as the markets require it, and every cent not required for marketing the grain will be returned to the producer.

The finance corporation will provide money to carry the grain from the period of heavy marketing to the period of demand by mills, foreign buyers, and other users of grain.

World-wide conditions and the true law of supply and demand will then make the price instead of speculation, market manipulation, squeezes, and corners.

Farmers must stand together, so that the producers of food, with a declining soil fertility, shall not be driven into peasantry.

The interest of the farmer, the country banker, and the country merchant are mutual. What helps the one must help the other. What helps them all must help the Nation.

In a few weeks one of your neighbors with a bonded solicitor will call on you to sign a contract and join the U. S. Grain Growers (Inc.), 59 East Madison Street, Chicago.

Mr. MANSFIELD. I want particularly to call your attention to this statement:

"Your grain will then be merchandized by your own men as the markets require it, and every cent not required for marketing the grain will be returned to the producer."

"The finance corporation will provide money to carry the grain from the period of heavy marketing to the period of demand by mills, foreign buyers, and other users of grain."

I presume they mean the Farmers' Finance Corporation, the same company that was refused permission to sell stock in the States of Minnesota, Missouri, and Indiana.

"World-wide conditions and the true law of supply and demand will then make the price instead of speculation, market manipulation, squeezes, and corners."

"Farmers must stand together so that the producers of food, with a declining soil fertility, shall not be driven into peasantry."

The interests of the farmer, the country banker, and the country merchant are mutual. What helps the one must help the other. What helps them all must help the Nation.

"In a few weeks one of your neighbors with a bonded solicitor will call on you to sign a contract and join the U. S. Grain Growers (Inc.), 59 East Madison Street, Chicago."

I offer a statement, which I can verify by affidavit, if the committee requires it, but I think the U. S. Grain Growers will admit freely that those posters by the thousands were placed at every crossroad and on telephone poles by the thousands

throughout the State of Illinois during the months of June and July, and reaching the farmer, already in an inflamed condition of mind. They immediately added fuel to the flames, and that was a direct attack upon the grain trade, and back of that was an organization composed of the leaders in every district, who were in consultation with the U. S. Grain Growers' officials, who were actively talking this scheme and preparing the farming public for the coming of the solicitors; and I acknowledge freely that it was in the last days of July that that bunch of men were turned out from the school at Chicago and went down into the country in groups, signing up the farmers of that State.

It was this menace, the placing of posters of this kind and the ones that I have just shown you, and I want to leave with your committee this poster, if I may, as further evidence of the direct attack upon the grain trade and the character of the literature and the phraseology that was placed before the farming public to convince them that there was something rotten in the State of Denmark; that it inflamed the farmer's mind and brought all of this to the grain men's attention, and being brought, as Mr. Reynolds knows and can testify if he so desires, that the grain men were vitally interested, because charges were being made of excessive profits being exacted from farming communities by men who were in the grain business for years, and they were being maligned, talked about, and attacked, and in the process of ordinary business, the increase of volume of these complaints began to come up to us in all of the principal markets.

In addition to that, throughout the farming press of this country appeared full-page ads. The first one that I have here is from the Orange Judd Farmer, of May 14, 1921. I offer that in evidence as one of the direct attacks upon the present marketing system and upon the grain trade generally.

I offer another ad from the Prairie Farmer of June 18, 1921, in refutation of the statement by Mr. Black that no attack had been made upon the grain trade. Mr. Black evidently believes that an attack upon the grain trade means the going down and taking away from us of our customers.

Senator KEYES. Mr. Mansfield, is there anything in these advertisements that you just referred to that you want to go in the evidence as regards the attack upon the grain trade?

Mr. MANSFIELD. Yes, sir; there is a lot of stuff in there that I would like to have go in. I would like to have the entire phraseology appear in this report, if I can. I would like that privilege. I think the grain trade of this country ought to have that before them.

Senator KEYES. We have already got a good deal in the record in the way of posters and such.

Mr. MANSFIELD. These are the U. S. Grain Growers' posters and not ours. Ours are all in evidence. Ours do not make an attack upon anybody. They simply say, "Don't sign anything until you have thoroughly examined it. Ask your banker, your lawyer, or your grain dealer."

That is all that we said to them.

Mr. REYNOLDS. If I get the thing right, you simply want this to show that Mr. Black was mistaken when he said nothing had been done in the way of attack before our Cincinnati meeting? That is, as I understand it, the purpose of that?

Mr. MANSFIELD. Yes, sir; that is the idea. I want to clearly place in your mind the idea that we have been attacked.

The CHAIRMAN. Now, what I am getting at, Mr. Mansfield, is this: You have submitted these advertisements. They are pretty lengthy; that is, all of them taken together are. I don't want to encumber the record with any more than is necessary. Whatever you feel is necessary to go in, we want you to put in. We try to be liberal with everybody in putting in these things. We will put in whatever you desire. I was just trying to find out what you do want to put in.

Mr. MANSFIELD. Then with your permission I will underline the things that I think ought to become a part of the record.

(Mr. Mansfield subsequently requested that the advertisements in full be incorporated in the record. They are, accordingly, printed in full, as follows:)

[Orange Judd Farmer, May 14, 1921.]

FREIGHT BILLS OR DOLLAR BILLS.

Shall Canadian wheat benefit the railroads only or every grain grower in the United States?

You, Mr. Farmer, have the say.

Each year Canada routes 120,000,000 bushels of wheat, or about 60 per cent of her export, through the United States on its way to Europe. The United States gets the freight charge return—and no more. This wheat passes through our ports to turn

the wheels of foreign mills—to depress the world price for wheat and to lower yours. No tariff can change this condition. The one factor that determines whether you are to receive much or little for the wheat you grow is the world price level which is fixed in Liverpool, England, and which varies with the supply of wheat in the world market. The average amount handled in the world market is 650,000,000 bushels, of which Canada supplies almost a third. Therefore, if any part of Canada's wheat can be kept out of the world market, the natural result will be an increase in the price you get for your wheat, at home and abroad. The millers of this country, who are the farmer's best customer, buying about 80 per cent of his wheat each year, have suggested a plan to stop Canadian wheat in transit, mill it in American mills, by American labor, and export it as flour under American brands. If this plan is adopted it will mean more United States wheat milled at home, more money for your wheat, more and cheaper dairy feed, more fertilizer elements for United States farms, more work for American labor.

To accomplish this let the American miller buy Canadian wheat, pay the duty, and when he exports the same amount of flour give him back the duty. The flour must go abroad, otherwise he loses the duty he has paid.

The first thing this plan will do will be to increase the use of American wheat in American mills. If the miller is to get back the duty he pays on each 100 pounds of Canadian wheat, he must export 100 pounds of flour. But the 100 pounds of Canadian wheat makes only 70 pounds of flour. Therefore, he must use 43 pounds of American wheat to make the total 100 pounds of flour which he must export in order to get his duty back. As the farmer gets more for his wheat from the American miller than he does in the foreign market, every additional pound of wheat used at home will help to raise the price of wheat.

The plan will also increase enormously the supply of mill feeds which our dairy industry needs so badly. Every 100 pounds of wheat milled produces 30 pounds of dairy feed. Each 1,000,000 bushels of imported wheat milled and reexported as flour would leave in the United States 9,000 tons of dairy feed, in addition to the 4,000 tons produced from the enforced use of domestic wheat. This will most certainly reduce the price you pay. It will mean, also, vastly increased fertility for United States farms.

The plan, therefore, while it helps the miller, helps you, the American farmer, far more. It assures you a bigger home market for your own wheat and a bigger price. Congress is working on the tariff now—act quickly.

A note to your Congressman and United States Senator will help to establish this drawback privilege on Canadian wheat. Write them at once; they are working on the tariff now. Or if you wish more complete details, write us for the booklet *The Tariff and the Wheat Price*, which tells the whole story.

Every grain grower, every dairyman, every farmer will find a message of vital interest in this booklet. Write to-day. Association of Northwestern Millers' Organization and New York State Millers' Association.

ASSOCIATED MILLERS.

1304 Garland Building, Chicago, Ill.

You may send me, free of charge and without obligation, the book *The Tariff and the Wheat Price*.

Name: _____, Street or R. F. D.: _____, Post office: _____, State: _____

[*Prairie Farmer*, June 18, 1921.]

A STRAIGHT ROAD TO GRAIN PROFITS AND NO "RUTS."

The way is open for every grain grower to give himself a square deal. Just as long as we farmers continue simply to produce—and then call the job done—just as long as we continue to dump our crops on the market for manipulators and middlemen to play with, just that long will we suffer low wages and low investment returns. This is simply a statement of sound business fact. All farmers realize this. All have wanted to change the system. But each has recognized his inability to do the job single handed.

To provide the opportunity for the farmers of this country to get together on a sound business basis, market their own crops, and get a fair price for those crops, there has been organized a great national cooperative grain marketing association—U. S. Grain Growers (Inc.).

This is your association. It has been organized by the farmer; of this country themselves, through a committee of 17 practical minded, nation's known, representative farm men.

It is a nonstock, nonprofit, cooperative organization, entirely farmer controlled. It is indorsed by practically every farmers' organization—Farmers' National Grain Dealers Association, American Farm Bureau Federation, State Granges, Equity State Farmers' Union, State Farmers' Grain Dealers Associations, Equity Cooperative Exchange, and others. It is an organization of farmers, by farmers, for farmers that will completely handle the marketing of your grain—and give you back every cent the consumer pays, minus the cost of handling.

The plan will eliminate the manipulator who now practically controls the price of grain. It will greatly reduce price fluctuations. It will cut transportation costs. It will prevent market glut. It will provide a system of credit to the farmer. Sound orderly marketing will save millions of dollars annually. But most of it all, it will remove many of the risks of the present marketing system which affect the stability of price and the farmers' ability to plan for the future.

ESTABLISHED MARKETS AND FAIR PRICES NOT LEFT TO CHANCE OR LUCK.

The big way this organization will help establish the grain industry is by contracting ahead with millers and other big users for a year's grain supply.

But the U. S. Grain Growers' (Inc.) can only do this if, in turn, has full assurance that you will market your grain through this national cooperative selling organization.

When you join this organization, therefore, you are asked to agree to deliver your grain—except that used on the farm or sold locally for feed or seed, or otherwise sold with the approval of the association—to the national association, through your local elevator, for five years. The elevator, in turn, agrees to sell your grain through the national organization.

The plan simply nationalizes the present system of marketing through local cooperative elevators. You can sell your grain under either of four options—direct to the local cooperative elevator, consignment, pool one-third or the exportable surplus of the wheat crop, or 100 per cent pool.

You run no risk in making this pledge. No one can make a profit in which you do not share. All of the officers are members and sell their grain in the self-same way.

WARNING.

All authorized representatives of the U. S. Grain Growers (Inc.) carry an identification card with photograph and signature of bearer and signatures of the president and secretary, with official seal of the company impressed so as to cover the corner of the photograph and signatures. Insist on seeing the card.

When the solicitor calls, say "yes." The membership fee is \$10. That amount pays your membership for as many years as you continue to be a member. It is not an annual fee. It is paid but once.

Here is your opportunity to show that you are really in earnest to help solve the big farm problems we have all been talking about so much. Solicitors will call on you soon. When they do call, and ask you to join, there is just one answer that you, in fairness to yourself, your farm, your country, can make, an emphatic "yes."

We will be glad to send you a free booklet that will give you the full details of the plan. Write to-day. U. S. Grain Growers (Inc.), Chicago, Ill.

DEPARTMENT OF INFORMATION (DESK D).

U. S. Grain Growers (Inc.), Chicago, Ill.

You may send me, free of charge, the booklet explaining your direct grain marketing plan.

Name: _____, Street or R. F. D.: _____, Post office: _____, State: _____

Mr. MANSFIELD. That answers that portion of the testimony.

There was a statement made by Mr. Black which I think deserves an explanation at our hands, that implies that I made the direct attack upon the men who are behind the U. S. Grain Growers—that is, the officials—when I said that a lot of professional agitators and men whose records were anything but savory were being used in this work. I referred in that testimony to the band of solicitors, many of whom, we knew, were professionals, many of them anarchistic and socialistic in their training and attitude, and they saw a chance for some easy money, and they were the men in whom I referred when I said that these professional agitators, schooled up there in Chicago, went down into the country, selected a reputable farmer who was known to the community, and then proceeded to secure these memberships. Those were the men whose integrity we questioned, and not the officials of the U. S. Grain Growers.

We have tried to refrain from personalities in our discussion of this resolution. I am sorry to say that, after reading Mr. Black's testimony, after we left Washington, I can not say the same and was very much surprised that personality should be brought into this. Personality has absolutely nothing to do with it. It is not a question of the personality of the men who appear before you. An unwarranted attack was made upon Mr. Seass, and reflections on my ability were made by Mr. Black. I do not need Mr. Black's good will in my business standing, and I have not any reason to offer any testimony in refutation of what he says. I do not care to. But I do want to correct the testimony in so far as it concerns the grain trade of this country, whose representative I was, and whose acts I am held responsible for, and I want to plainly and clearly state before your committee the exact situation as it was.

We did not start out to attack any organization, and the statement in Mr. Black's testimony that there was a sudden change of policy is absolutely untrue and not a statement of fact.

After the Cincinnati meeting and the necessity of getting our headquarters and getting the necessary men and women to assist us in the very large detail work which was contemplated, I called a meeting of my committee at Chicago, first for the early days of July, just following the 4th, and then about the middle of the month, and then we finally got all but one member of that committee together, and on July 27, when the policy of the Mansfield committee, so called, was issued to the public, and that is the pamphlet that was put in your record, and that states fully, conclusively, and finally what was the governing motive of that committee from the very inception of its work until it passed out of existence, and on that statement of the permanent policy of the special executive committee of the Grain Dealers' National Association I stand, and I testify before you gentlemen that every one of the men connected with me in any manner was given the same information. This is not a fight on anybody. What I want is to let the farmers know the truth and to get the truth out of Mr. Black's testimony, and we will abide by the result. The permanent policy of that committee, as set forth in the document in evidence before you, is the answer to these charges.

There are a number of extraneous matters, but I won't attempt to discuss them. One was a very peculiar incident that Mr. Black alluded to, about the elimination of the words "Remember North Dakota! Remember the Non-Partisan League!" from the posters and literature that were sent out in the Northwest. I explained that to your committee. I gave you every bit of information on it. It was decided by the committee at that meeting of July 27 that in view of the conditions up there in the northwest of the country and the bitter partisan strife that was then in evidence in that section, it would be best for all concerned, both those who believed with us and those who believed against us, that we do not add any more fuel to the flames, and consequently we instructed our publicity men, Vanderhoof & Co., of Chicago, to have that eliminated. Now, we had already filed with the newspapers and the publications to which our advertising was to go copy of what was later, on instruction from us, to be released. When they got instructions from us that everything was to be released except in the northwest section of the country, where we did not want this matter put out, they immediately wired their people, in the ordinary course of business, and that was eliminated except in a couple of cases, where the newspaper organization failed to comprehend what was intended, and a great ado was made about that situation. It was absolutely nothing more than an order which went from that firm in compliance with the instructions which I, as chairman of the committee, dictated for the committee itself, which was not followed out by the newspapers to whom we had sent the advertising matter that we intended to release publicly. There was no other phase to the situation at all. And I am giving you the absolute facts in the case.

Another thing. The statement was made by Mr. Black that Mr. Seass received a compensation of \$25 per day from my committee. The financial statement filed by Mr. Quinn and compiled by a certified public accountant will show that that is absolutely not so, and Mr. Seass will so testify to-day. Mr. Seass received his compensation for what work he did for me, at \$25 for each meeting that he attended. Some of those took two days to accomplish, and some three, and the meetings were not frequent. Sometimes there would be a week or 10 days interim between the times that we would call upon him to go to certain places at the suggestion of the local grain men.

The man that Mr. Black refers to that got \$100 a day was never in my employ, had nothing to do with me, and I don't know anything about who he is. I could not add anything to the statement that Mr. Black has made, nor could I make any correction, because I don't know the gentleman, never met him, never had any correspondence with him. He speaks about him having spoken out in Kansas, and said that he got \$100 per day. If I may be permitted, I will try to find his name here:

"Mr. Ainsworth, in talking out in Kansas with Mr. Gustafson, told a farmer out there that he was getting \$100 a day," the inference being that my committee paid that to Mr. Ainsworth, whoever he may be. The direct inference was to you gentlemen of this committee that our payment to our men ranged from \$25 a day to \$100 a day, and that is plainly indicated in his testimony. I will take my stand on the statement that I do not know Mr. Ainsworth and that he never worked for the Grain Dealers' National Association in any capacity whatever, and he never got one cent of compensation from us, either directly or indirectly. I don't know what service he performed.

I made a reference in my testimony to the fact that Mr. Gustafson's cooperative organizations in Nebraska had not been a success. With your permission—and I hope that you will grant me that permission—I want to file with the committee an affidavit covering that situation. I could not get it here in time. It is a matter that will take a number of days to secure. I want to file an affidavit showing the condition of these cooperative organizations with which Mr. Gustafson was connected, and it will only take a matter of five or six days to have that evidence before you to show you gentlemen that I was not trying to make a statement that I could not verify before your committee. If you will grant me that privilege, I will have that information before you within a week.

Senator LADD. I don't see any objection to that.

Senator KEYES. There is no objection to that.

Senator LADD. Mr. Black said, in relation to this matter of \$100 a day:

"Mr. Atwood, who debated out in Kansas with Mr. Gustafson, told a farmer at that debate he was receiving \$100 a day."

Mr. MANSFIELD. Atwood?

Mr. Atwood made one talk for us, and the understanding was that, it taking five or six days of his time, he should be compensated for such services, as we had done with Mr. Seass before. He went out and, I think, debated with Mr. Gustafson at Blue Rapids, Kans., and we gave him, for the four or five days that it took him to go out from Chicago and come back and enter into that debate, \$100 plus his expenses.

I could not connect up Mr. Ainsworth, because I knew that was a mistake.

Now, I want to make another statement that can be verified by affidavit, if the committee thinks necessary, or they may take my word for it, for I was there, and it is a matter of record. It is true that the U. S. Grain Growers did not appear as an association at Springfield when we were attacked there, but that they were behind it is shown by the fact that Mr. Gregory, who was one of the prime movers until his activities relegated him to the rear, Mr. Eckhardt, Mr. Mudge, and other members of the committee of seventeen were present at Springfield and actively helping in the direction of the fight for the Lantz bill; and, if necessary, I can secure the affidavit of a number of the members of our committee who were there and met them and know that they were there for that purpose.

If the committee does not think that that is necessary and will take my word as a gentleman and a man of honor, then I will be very glad indeed.

Senator LADD. Were they there as representatives of the committee of seventeen or of the U. S. Grain Growers?

Mr. MANSFIELD. They were there representing the farmers. They did not state whom they were for.

Senator, may I just say this? When this was under discussion in the Senate a member of the Nonpartisan League spoke in the name of the Nonpartisan League, a member of the I. A. A. spoke in the interest of the I. A. A., a representative of Mr. Townley was present and assisted in the attempt to bring about the funeral, and these other gentlemen appeared in the fight at various times, directing and assisting in the efforts.

Senator LADD. I have no doubt but what they were there. My understanding was, from Mr. Gregory, that he was there in the interest of his paper, representing his newspaper.

Mr. MANSFIELD. If Mr. Gregory was there in the interest of his paper, Senator—

Senator LADD. I only raise that question because I had a conversation with him, and he told me he was there, but he was not there as a member of the Committee of Seventeen.

Mr. MANSFIELD. Senator, he had a very unpleasant experience in Springfield. Mr. Seass can testify to that fact, if necessary. He left between two minutes under fire, didn't he?

Mr. SEASS. I think so.

Mr. MANSFIELD. And took his speech with him, and I don't think he will ever forget the grilling that a bunch of real Illinois farmers gave him down in the rotunda of the Leland Hotel, and told him what they thought of his activities and why he was there, and probably that is one of the reasons why he went down there to represent

his paper. I am just saying to you, Senator, that it is my personal opinion that Mr. Gregory was one of the prime movers in this matter, and he was there, as others were there, to put over this direct attack upon the grain trade and then to push into the limelight the campaign of the U. S. Grain Growers and put it over, and that they have not been successful is due to the fact that the bigger farmers in the country became alarmed and stopped them. They got the truth and they refused to be herded in, as it was attempted by that procedure, and the result was that the attempt in one breath to put out of existence the existing grain trade, and in the other to build up a new organization to handle the grain of the country, did not go over as planned; and that is further evidence that the grain trade was attacked because down in the State of Illinois, with which I am thoroughly conversant, the grain trade were being told of the U. S. Grain Growers and what it was going to do, and the U. S. Grain Growers' pamphlets, one of which is in evidence, showing that it was corrected up on June 21, 1921, indicating that copies of that had been issued before that time; and I offer in evidence, as further proof that the first edition of the U. S. Grain Growers' (Inc.) plans were published May 24, 1921, according to Curtis Johnson Printing Co., (Inc.) plans were published by this letter says, he understands published the first 2,000 copies of the plan, a letter signed by Mr. J. Ralph Pickell, whom the U. S. Grain Growers know full well.

(The letter referred to is as follows:)

THE ROUND-UP,
Chicago, March 9, 1922.

Mr. R. I. MANSFIELD, Chicago, Ill.

DEAR MR. MANSFIELD: The first edition of the U. S. Grain Growers (Inc.) plans were published May 24, 1921, according to Curtis Johnson Printing Co., who, as I understand it, published the first 2,000 copies of the plan.

Yours, very truly,

J. RALPH PICKELL.

MR. MANSFIELD. Another thing that was said was that my statement regarding the Fort Dodge meeting was incorrect. I acknowledge that. My information came in a very garbled manner from a telegram which was received from one who attended that convention, and I thought that he knew what he was talking about, and I want to correct the record of that, but I want to call attention to the resolutions which Mr. Black has referred to. I want especially to call your attention to the wording of these resolutions.

"We approve the purposes and principles upon which the U. S. Grain Growers (Inc.) was founded, as stated at the ratification convention, April 1, 1921."

Now comes the part that I particularly want to call your attention to.

"We recommend and urge that they shall bring out a practical selling and financing plan at the earliest possible date," etc.

I want particularly to call your attention to that fact. The selling and marketing plan of the U. S. Grain Growers had been offered to the farmers and the grain dealer of the State of Iowa, and that recommendation shows that the plan offered was not satisfactory and called for a further plan of a practical kind, which substantiates what was the purport of the wire which I received.

This is just to clear up little matters and just to show you gentlemen that I am not trying to put before the committee anything that is not germane to the subject, and that I am not trying to put a different aspect on any statements that were contained therein.

Mr. Black testified regarding a five-year contract in Illinois and the one-year contract in the Northwest. I was informed by word of mouth from a grain paper's representative that they were offering a one-year contract in the State of Minnesota. I have not been able to get in touch with him. He has been away. I have not been able to get his verification of that. I will have it, however, in time to file with the committee when I return these affidavits concerning the cooperative organizations that Mr. Gustafson was formerly the head of.

Senator LADD. If you file that affidavit I would like, if possible, to have you file a copy of the contract.

MR. MANSFIELD. Yes, sir.

Senator LADD. I say that because from information that has come to me I think there has been some confusion between the different companies, different terms, and I want to have them perfectly clear on this thing.

MR. MANSFIELD. You see, being 600 miles away from the seat of operations, the differentiation between the contracts offered, for instance, it may be an entirely different cooperative organization offering this one-year contract. We were told that it was the U. S. Grain Growers who found that because of the opposition of Mr.

Keuning to one of the farmer organizations in that State that they could not secure the requisite number of signers to a five-year contract, and that they agreed to a one-year contract. It is very much the same situation as in Illinois where they found it impossible to sign up the farmers' elevator companies to handle the U. S. Grain Growers' grain under the elevator contracts they have got, and they made verbal agreement in a number of cases with elevators in Illinois that they will handle that grain for a period of one year and, as far as possible, will comply with the U. S. Grain Growers' requests for the keeping of records, etc., but they have not asked them or tried to compel them to sign a five-year contract, which they are offering generally throughout the State.

Senator KEYES. You will file the contract that Senator Ladd asked for?

MR. MANSFIELD. Yes, sir; I will try to get the copies that he referred to.

Senator LADD. I would be very glad to have them, because I am informed that there are two or three different organizations in the Northwest, which have different contracts, and I want to be sure that there is no confusion on the part of the party who signs the affidavit.

MR. MANSFIELD. In the testimony which was offered by Mr. Black the direct attack was made on two grain concerns connected with the regular grain trade of the country. I am not going to attempt to justify nor to defend the two firms attacked. It is up to them and not to me. They can offer testimony if they see fit, and they can defend themselves as they may have occasion to. All I can say to you gentlemen is this, that the records of the various exchanges show that wherever we come upon a man who is violating the rules as contained in that book or the other books of a similar character that represent the rules and by-laws of the various exchanges, that man is called before a committee, asked for an explanation of his conduct, and if it is not forthcoming he is either suspended or expelled. If the charge be grave enough in the opinion of the committee, the man is expelled. We have had a number of expulsions from the Chicago Board of Trade. We have eliminated a number and a large number of men whose actions have been contrary to the rules of honest commercial conduct, and the grain trade to-day has been safeguarded by the national association in the matter of compulsory arbitration of differences, that makes it possible where a man has a complaint against any grain firm, that he can bring it to the attention of the Grain Dealers' National Association, and that man will be cited before an arbitration committee, the facts pro and con laid before that committee, and an award of damages or a settlement of differences made by disinterested parties on that arbitration committee.

It has worked out admirably in that we have eliminated from the trade those who were inclined to do things that were harmful to all concerned; and the grain trade to-day has no apologies to make for its general personnel, which is as high as any business organization with which I am familiar. And I want to say to you gentlemen that in my opinion—and I am in touch with the larger producing sections of the country almost constantly—that the grain trade as conducted to-day is conducted as cleanly and as honestly and as fairly as any line of business that I know of, and the character of the men in the grain trade has been materially raised by the action of these various organizations making it necessary that a man submit any supposed grievance to arbitration, and then abide by that arbitration.

Recently the State court of Ohio ruled that such a difference between a certain grain firm and one of the complainants in this particular case—the court ruled that the firm must comply with the terms of the award, and the damages were paid.

When I was before you at the last hearing you asked me to present to you a statement of the public elevator storage capacity for the last five years, and also to give you the names of what cooperative concerns were doing business under the rules and through membership on the Chicago Board of Trade. I want to file with you a letter signed by John R. Mauff, secretary of the Chicago Board of Trade, giving you those facts, and showing that the Plainfield Grain Co., of Plainfield, Ill., through Joseph A. Henechey, holding a certificate of membership, is affiliated with the Chicago Board of Trade and doing business daily through it, and also the Grain Growers' Export Co., ostensibly its headquarters being New York, but really the concern operates in Winnipeg and the Canadian Northwest.

Senator KEYES. Do I understand those are cooperative associations?

MR. MANSFIELD. They are cooperative associations.

Senator LADD. Do you mean that they are cooperative associations in the sense that they pay back patronage dividends?

MR. MANSFIELD. I could not tell you about that, Senator Ladd.

Senator LADD. Unless they do they are not true cooperative associations.

MR. MANSFIELD. I can only say that they have agreed to abide by the rules of the Chicago Board of Trade, and that they are doing business there.

Senator LADD. Then they have never returned any patronage dividends. Mr. MANSFIELD. I do not see how they could.

Senator LADD. That is it exactly. They are not cooperative associations. Mr. MANSFIELD. I think you will find that the Grain Growers' Export Co. of Winnipeg is the largest cooperative concern in the world to-day handling grain, and that the Saskatchewan Farmers' Cooperative are also members of the Winnipeg and doing business alongside of them. They are two of the largest cooperatives doing business.

I will file that with the committee, if you please.

(The letter referred to is as follows:)

BOARD OF TRADE OF THE CITY OF CHICAGO,
Chicago, Ill., March 9, 1922.

BARTLETT FRAZIER CO.,
Chicago, Ill.

GENTLEMEN: Replying to the attached, beg to say that the public storage capacity of class A warehouses in Chicago for the past five years is as follows:

| | Bushels. | | Bushels. |
|-----------|------------|-----------|------------|
| 1917..... | 12,530,000 | 1920..... | 12,950,000 |
| 1918..... | 11,760,000 | 1921..... | 12,950,000 |
| 1919..... | 13,800,000 | 1922..... | 11,950,000 |

The only cooperative company that owns a membership in this association that we know anything about is the Plainfield Grain Co., of Plainfield, Ill., Joseph A. Henebry holding the certificate of membership for the purposes of that company.

Very truly, yours,

JOHN R. MAFFY, Secretary.

P. S.—Also the Grain Growers' Export Co., Thomas A. Crerar holding Board of Trade membership for that company.

Mr. MANSFIELD. Now, in conclusion, I think that we have partially cleaned my name of the things that were said by Mr. Black in his testimony. I want to join with Mr. Reynolds in a request upon this committee that in fairness to the grain trade, which represents a clientele from Maine to California and from the Gulf to the Canadian border, your committee call before it the treasurer of the U. S. Grain Growers (Inc.) and ascertain from him, under oath, the present status of that company, the amount of money expended in the work which they have attempted along these lines and others which constituted a direct attack upon the grain trade of the United States. I think that, as citizens of this country, we have a right to ask of the highest inquisitorial body of this country that we be given the same information that you have asked of us, and that, based upon that, the true facts in this investigation will be shown clearly, for I am satisfied personally that for every dollar which my committee expended in this work the people on the other side spent many, many dollars—how many, I would hardly want to guess—to offset, and I know that, cramped for funds as we were, and with the necessities of the work, which were great, we found no lack of organization on the other side and plenty of men to meet the situation. As a concrete example, I spoke the other night at Walnut, Ill., the only representative of the grain trade there, and opposite me was the speaker of the evening on the other side, and five or six assistants and three stenographers. Maybe that will give your committee just an inkling as to the expenditure that we had to submit to as compared with what they actually did.

I stand with Mr. Reynolds on the statement that under their rules a man is not a member until he has signed a contract and put in his \$10. Whether they take a note for that or whether they take the money, I can not answer, but I know this, that scattered through the State of Illinois are many organizations which have gone out and loaned them money without security, and that that money has been put in their possession, and they have had the use of those funds, and I think that is an added reason why your committee should ask the presence before you of a man who can give you these facts for your information, and can help you to a comprehension of how general this attack upon the grain trade was, and how far it went in dollars and cents; and, if the committee desire it, I will secure some affidavits for you as to organizations in Illinois that have loaned money to these people.

It is a difficult thing for me to leave my business and go down through the State getting this information, and the time was short, and I have had a very busy time of it since I was here last, and as a result it has just been barely possible for me to get together the facts and the material that I have given you in refutation of the statements that were made before your committee by Mr. Black.

I think we are facing a situation which demands further light, and I furthermore believe that if your committee will secure this additional information and will discuss this thing among yourselves you will agree with us that there was a distinct menace to the grain trade of this country, and that a concerted effort was made to put us out of business, and that the means used were, in many cases, exactly similar to the one that was used against Mr. Reynolds in his business, and that the cry that came up from the country grain dealer had to be answered by some one, and that I happened to be the man, with my associates on this special executive committee, to which the work was delegated, and that in that we used literature and very few speakers, and we never attacked at all, but we defended. We never said to the farmer what he should or should not do. We simply said to the farmer, "Be careful what you sign," and I think that under those conditions there is not a thing for which we have to offer an apology to anyone, and I stand on the record of that committee as having conducted its work honestly, lawfully, and under its rights as American business men engaged in a highly competitive business and not trying to assassinate any organization that was trying to usurp the present position of the grain trade.

I thank you, gentlemen.

Senator KEYES. Are there any questions, Senator Ladd?

Senator LADD. I was very much surprised on reading the minutes of the Cincinnati meeting, and wonder whether the statements made there represent the sentiment of the members of the organization, your grain organization, and whether they are opposed to all legislation in the interest of agriculture or for the benefit of agriculture.

After dealing with a number of members of the House and Senate and referring to various bills offered, they state as follows:

"Here is another bill, introduced by Mr. Kenyon, Senate bill 1265, a bill to create rural credit societies, and for other purposes. It takes all of that for Mr. Kenyon to tell you what he wants to do. All he wants to do is to curry favor with the farmers, and that is what this whole gang of them are trying to do."

Are we to understand that you are opposed to all legislation, a long list of which is given here, and that you look upon the Members of the House and Senate and those who introduced those bills as members of a gang?

Mr. MANSFIELD. I do not know to what you refer.

Senator KEYES. He is referring to the minutes of the Cincinnati meeting.

Mr. MANSFIELD. I was not there except during the time that I spoke, and I do not know all that was said. I have never read the minutes of the meeting since. But we do believe that a great deal of the legislation that has been suggested for the relief of the farmer is not going to work out, and the general opinion of the public is to the same effect. We are not opposed to legislation of that character, and I do not think that we have had anybody down here to say one word against such legislation. We were opposed to some of the features of the Capper-Tincher bill as first proposed, but afterwards we agreed to try to function under the Capper-Tincher bill, and we will do so as soon as the matter is adjusted.

Senator LADD. I can see that there was a difference of opinion there, but this particular bill had for its purpose the aiding of farmers through rural credits. A number of bills are discussed here, and we have the statement made that it is for the purpose of currying favor with the farmers, and that is what the whole gang of them are trying to do. That struck me with some surprise.

Mr. MANSFIELD. Who was this that was making this statement?

Senator LADD. I think it was Mr. Reynolds.

Mr. MANSFIELD. That may be Mr. Reynolds's personal opinion, but I don't think that is the attitude of the grain trade at all.

Senator LADD. They copied it down as one of the essential features of this meeting, and I supposed it had the indorsement—

Mr. MANSFIELD. No. Everything that was said there was taken down.

Senator KEYES. Yes. As I understand it, from the testimony that has been given here, those are the full minutes of that meeting; the stenographic report of the meeting. Mr. MANSFIELD. These are the full minutes. This was a stenographic report, and no attempts were made to correct the report. I don't think it was ever submitted to the speakers. I never saw a copy of the talk that I gave them down there, and I could only very dimly remember all that I have said, but I know this, from having discussed those things with grain men all over the country, because in my work I was carried all the big markets and through the various big surplus-producing States, that there was no such attitude as that on the part of the general public. I think, personally, that this bill for establishing farmers' credits has been a wonderful thing in relieving the situation in the rural communities, which the banks were powerless to do.

Senator LADD. Who was Mr. Goodrich?

Mr. MANSFIELD. I don't know where he is located.

Mr. BARR. He is a country grain dealer at Winchester, Ind.
 Senator KEYES. Does anyone else desire to be heard?
 Mr. MANSFIELD. Mr. Seass.

TESTIMONY OF MR. S. LUCAS SEASS (Resumed).

Mr. SEASS. Mr. Black says "I hold no brief for the Farm Bureau, but the fact is that I have secured some letters written out in the county where Mr. Seass lives that don't warrant his contention at all. From what I have understood, he has been one of the most active workers along political lines and trying to get things fixed up for himself that there is in the county. I have received a letter along that line."

What I want now is, I want these letters made a part of this record, because they attack me. When a man attacks my reputation and says he has got letters, I want copies of the letters, because I can not reasonably defend myself if I do not know what the letters contain in full, if somebody quotes them. I presume Mr. Black was under oath when he gave this testimony, was he not?

Senator KEYES. I think he was.

Mr. SEASS. Then he goes on here. If this committee has not got these letters, I request that this committee subpoena Mr. Black and have him produce those letters and make them a part of this record, and then I want the opportunity to vindicate myself before not only this committee but before my neighbors and my friends in this country, as an American citizen, because it is not proper, in my judgment, to attack the character of a man simply because he differed in opinion from men who were trying to promote or put into operation a different marketing scheme from the present.

Senator KEYES. I do not think the committee is particularly interested in going into these matters very far in regard to attacks on witnesses. I can understand your position, because I think Mr. Black made some statements in regard to you which you naturally would wish to refute. I do not recall that he left any letters with the committee.

Mr. SEASS. That is the thing I wanted to know, because here is what he said:

"This man, who is familiar with all the activities in the county, writes as follows: I am inclosing information that you have asked for in regard to Mr. S. L. Seass, or Lucas Seass, as he is known here. It is a little difficult to get all the facts in regard to some of the matters, since this happened some time ago and there are no records existing. Probably 99 per cent of the people here (that is, meaning in my county, would not believe him under oath, but they probably would not make a statement of that kind over their own signatures."

"Some little while ago, just before the agricultural conference, Mr. Seass tried to get appointed through the influence of Congressman Allen F. Moore as a delegate to this conference. As soon as this became known locally several prominent men wrote Mr. Moore personally, protesting against Mr. Seass being appointed to this conference; they did not want that sort of man to appear as a representative of the farmers. The Bethany Grain Co., a strong farmers' grain company, took the matter up and sent a letter signed by all the officers and directors of the company to Congressman Moore protesting against that appointment. This is an indication of his standing locally."

I never tried to be a delegate. I asked for an invitation to the conference, and I was not representing anybody. I paid my own expenses down.

Mr. SEASS, instead of being one of the leading farmers there is being left out in the cold on all farm matters. He does not have the standing that the opposition, Mr. Mansfield, would have you believe. He does not represent the farmers of the community at all."

He says that 99 per cent of the people would not believe me under oath, and he quotes these letters. Now, the thing that I want is I want those letters made a part of this record, and I want an opportunity to reply to them.

Senator KEYES. He does not state, does he, Mr. Seass, that somebody said in a letter that 99 per cent of the people would not believe you under oath?

Mr. SEASS. Yes, sir; he says, right back here on this page—

Senator KEYES. I have before me the printed testimony.

Mr. SEASS. He said, "I hold no brief for the farm bureau." Then he said, "Mr. Seass further made some remarks about the farm bureau. These opposition witnesses, they get all the farmers' organizations mixed up," etc., and then he goes on and says that he holds no brief for the Farm Bureau, but then he says, "I have received a letter along that line." Then he goes on and states here what he has received, and he says, "I will just give you an instance of Mr. Seass's complaint about politics being played in the Farm Bureau down here. This man, who was familiar with all the activities in the county, writes as follows."

Now, what does he say? He says, "I am inclosing the information that you have asked for."

Senator KEYES. That is not the way the printed copy reads. Mr. Black says, "The man who sent me the letter, and who is familiar with all the activities in the county, writes as follows—"

"I am inclosing information in regard to Mr. S. L. Seass, or Lucas Seass, as he is known here."

Mr. SEASS. "I am inclosing information which you asked for." Senator KEYES. It may not refer in any way whatever to what you are claiming as in these letters, so far as I can see. He says he got information. He does not say what information he has. He received a letter from a man who writes as follows:

"I am inclosing information in regard to Mr. S. L. Seass, or Lucas Seass, as he is known here. It is a little difficult to get all the facts in regard to some of the matters, since this happened some time ago and there are no records existing. Probably 99 per cent of the people here would not believe him under oath, but they probably would not make a statement of that kind over their own signatures."

Mr. SEASS. Well, some fellow must have written him that, and he is quoting it from somebody else, and that is exactly what I want. I want to know the source of his information.

Senator KEYES. We will try and get that letter, Mr. Seass.

Mr. SEASS. I want to see it.

Senator KEYES. Yes; if it contains what you think it does.

Mr. SEASS. After I get the information and the source of his information, then I would like to have an opportunity to refute it, to make some reply to a man making the charge that 99 per cent of the people in my county would not believe me under oath.

Senator KEYES. You can meet the charge now, as far as you can.

Mr. SEASS. Then he goes on to state—well, I just want to file the names of some men who have signed a statement along that line. I want to read a letter, then I want to read the names of some of my neighbors.

This is a letter that I started out to get, a letter in reference to what my reputation is. First is a letter that I have here from the circuit judge. He makes the charge in there that some of my neighbors went on the stand and swore that they would not believe me under oath. Now, the facts are in that case that there was a man who was in the Army. I was having a lawsuit with a tenant, that is true, and before that lawsuit happened there was one man who was a deserter in the Army, and this tenant was hiding him on my farm. They had some bales of hay stacked up around him, and they were carrying his food in there, and I discovered him in the barn, as a deserter from the Army, and this tenant, with this buddy of this deserter, who was deserting the Army, and when I reported him to the sheriff the sheriff arrested him and sent him back to the Army, and it made him very mad and very hostile toward me, and when I had this lawsuit this tenant comes up, he and one of his buddies and another buddy, and gets on the stand and swears that they would not believe me under oath, from the fact that I had reported a deserter from the Army and caused his arrest, and nearly got the arrest of the tenant also, because he and his wife were harboring him.

Well, I have a letter from the circuit judge who presided at that trial, who gave it absolutely no recognition at all, and they were not my neighbors—not from my neighborhood. And that is the charge that Mr. Black made, that men from my neighborhood in a lawsuit testified that they would not believe me under oath. Now, I wish to read this letter from the circuit judge who was the judge presiding at that trial, Judge George A. Sentel. He says:

"To whom it may concern:

"This is to certify that the undersigned has known Mr. Samuel L. Seass for over 20 years and knows him to be a good, substantial farmer in and near Sullivan, Ill., and one who takes an active interest in farming affairs. He has always been progressive, earnest in his work, and has done a great deal of experimental work with crops and the feeding of stock. He stands well with the farmers and business men of this community and, so far as I know his reputation as a farmer, is a law-abiding citizen and of truth and veracity has never been questioned. He may have some mannerisms with some few may dislike, but who of us have not this fault to some degree?"

That is signed "George A. Sentel." He is a circuit judge. It is on his letter head. Then I have another letter. I have some more proof here to offer as to my truth and veracity being attacked by the honorable Mr. Black. I did not presume that any member of the U. S. Grain Growers would verify anything that I said, but I made the statement in my former testimony here that I had not heard any argument

that was beneficial to the farmers: the only thing that I had heard since I had been out defending the present marketing system, as to its merits and its function, the only thing I had heard had been the malizing of the characters of men who were engaged in the grain trade; that they compared them to gamblers and crap-shooters, and never put up any argument, but I did not think I could get that statement verified, but Mr. Black comes on and verifies it very remarkably by undertaking to assassinate my character. He absolutely verifies what I say. He says he is an official member of the authorized agent of the U. S. Grain Growers. I never heard of him on the original committee of 17, but he verifies the statement that I make, and I am very much obliged to him for small favors.

He has another statement here in regard to my standing. This was foreign to the issue. In my judgment, here, pulling a man's reputation into the mire because he does not agree with his system, and because a farmer can not see it like they did, to attack him personally and say many things about him.

Here is some more:

"This certifies that the undersigned are well and personally acquainted with Samuel Lucas Seass, who is a farmer residing in Sullivan, and we have been acquainted with him for a number of years; we further certify that he is actively engaged in farming operations. We further certify that Mr. Seass stands well in the farming community and is at all times interested in farming questions and takes an active interest in the affairs of the community; that so far as we know his reputation as a farmer and as an honest and law abiding citizen for truth and veracity in this community are above reproach."

The first man that signed that is Hon. W. G. Cochran, who was circuit judge in our judicial district for about 18 years to this time.

The next man is T. S. France, a farmer. The next is S. P. Drake, president of the Merchants & Farmers' Bank. The next man is V. R. Ashbrook, candidate for sheriff; and Charles Lansen and A. Chippis, farmers in my neighborhood; W. K. Birch and R. C. Sparks. I will not take the time to read all those names, but I will just call your attention to the number of men there, unless you desire me to read the names.

Senator KEYES. I think that will be sufficient, Mr. Seass.

Mr. SEASS. There are 65 signatures attached to that. I have every county officer in my county on there. I have the county clerk, the circuit clerk, the county treasurer, the sheriff, and practically every official, the mayor of the town, and I will give you the name of the mayor of the town, who is the biggest farmer in Moultrie County, W. K. Birch. He is the mayor and owns about 2,500 acres of land, and joins me on both sides of my farm. Mr. R. C. Sparks, another farmer, owns 500 acres of land. There is practically not a man on there who does not own from 80 acres to 300 acres of land, and they are all my neighbors. They are all around me, and they have known me for years.

When Mr. Black talks about the farmers, the rank and file of the farmers do not coincide down in our community with the plan or with the members of the Farm Bureau because we have 1,300 farmers in our community, and while I am a member of the Farm Bureau, I think there are only about 400 out of 1,300 that are members at the present time. The rank and file of the farmers are not represented through the Farm Bureau of our county from the fact that we have had a farm adviser there that has always been in trouble with part of the neighbors. And that is another thing he refers to here in regard to my character, that there has been talk about expelling me from the Farm Bureau. That is perfectly all right. It would have saved me \$45 if they had.

Senator LADD. Any farmer can become a member of the Farm Bureau?

Mr. SEASS. I am one of the charter members. I was one of the first men who joined the bureau.

I want to go on record here that I am not against the Farm Bureau, because I think it has a great mission to perform.

Senator LADD. The county agent is amenable to the Farm Bureau, is he not?

Mr. SEASS. Yes, sir; that is true; whenever he does not play politics and become a dictator of the directors, which sometimes happens, as I have very readily proved.

I went out and got my proxies that he speaks of, and they ruled the proxies out and carried the election on a technical point that in the by-laws it said that the directors must be elected by its members at the annual election, and they said, "Now, that settles the question. They must be elected at the annual election, and therefore you can not vote through proxies," and for that very reason, because they ruled on that point, because they held that you had to be there personally, and the proxies were ruled out, consequently they elected a board of directors, and I said, "Now, if you gentlemen will get a farm adviser that won't rake up a lot of muck among our members, I am not going to contest this election at all, although I have got you in

the palm of my hand." That is where they refer to politics. They agreed that they would discharge the farm adviser and they did discharge him, and went along about three months and finally hired him over, and after the thing kind of got old, I concluded if the thing went along harmoniously, the thing to do was to drop the matter, and I never attempted to get back any more in regard to ousting him.

Another thing: He said I speculated on the board of trade.

Senator KEYES. You are referring all this time to Mr. Black?

Mr. SEASS. I am referring to Mr. Black, and I presume that the name he refers to, when he says "Mr. Seass," he refers to me as the man that testified before. I guess that presumption would be correct, would it not, Senator?

Senator KEYES. I expect so.

Mr. SEASS. He says I speculated on the board of trade along about 20 years ago, and I want to say to this committee here that if ever there was a malicious falsehood ever fell from the lips of man that is certainly one. I never bought a bushel on the board of trade in my life, nor I never sold any either on my own account or through an account of a commission man. I absolutely never dealt with the board of trade in any way, and I never lost any money on the board of trade, and I never won any, because I never dealt in any. I never had as much as 10 cents margin on any board of trade or grain exchange in my life, and I challenge any man to disprove that statement, and the man who made that statement or the man that gave that information and made that statement and spread it, told one of the most infamous lies, and if he told it under oath he is a perjurer, and he certainly will have to prove it.

He said that I lost, and then I mortgaged my property and turned it over to my wife. I want to say to this committee here that I do not like to go into family affairs, but I will have to do it in order to defend myself. My people were very hostile to my wife. I married her and took her away from a good farm down in Kentucky, that she had inherited for as long as she remained single. That was a provision in her father's will, that she should own it as long as she was single, and when she married and left it to her mother and her sister, and my people, after we were married several years, and found we would not have any children, and my people being very hostile to my wife, did not like her because they said she was aristocratic, she was too high-falutin, and they made a lot of charges against her, and I knew that if anything were to happen to me the only pitiful sum she would get was the little sum that the law would give her, and my property was practically all real estate, and under the laws of Illinois a woman can only hold so much in real estate. She gets all the personal property, but my property at that time was practically all real estate. So in order not to sacrifice my manhood, I simply gave her a deed to that farm. That was some 20 years ago, or 24 years ago, I think. That was protection to her. I did not lose it on the board of trade.

And another thing that I want to say is, that whoever gave that information, if he gave it willingly and disseminated it under oath, he perjured himself in any instance, for at the time I made that deed I did not owe any man one dollar in the world, and I did not transfer my property for the specific purpose of avoiding the payment of my debts, because I can show by the records that when I transferred that farm to my wife I did not owe a man in the world one dollar, and I had plenty of money in the bank.

Now, as to my investment and how that mortgage came on there, I can explain that fully, but it was not because I lost money on the board of trade, because I never did; but I bought some land in the—

Senator KEYES. I don't think that is necessary at all, Mr. Seass. I don't think you need to go into that.

Mr. SEASS. I think it is not necessary, but I just wanted to show to this committee the lengths to which men will go that are devoid of logic and argument. Whenever a man is devoid of logic and argument, as a rule that kind of man is long on maligning character, and he is full of falsehoods to start with.

He speaks about my racing days, as another reflection on me. I am secretary of the Moultrie County Fair Association. Here is the charter. Here are the incorporation papers. Here is the certificate showing that I am a member of the American Trotting Association. I am not ruled off. I never had any crooked deal practically in my life. Some men got me in a pocket over in Ohio. I had a world-beater mare. I was a green farmer. I had a fast mare, that could step a mile in a couple of minutes, and they pocketed me in a race over in Ohio. I was driving myself. Then the fellows went up and complained that I had "pulled" her.

Senator KEYES. How far could she go in a couple of minutes?

Mr. SEASS. She could go a mile. She stepped a half in 58 seconds. They at tempted to steal her by putting me in a pocket and discredit me in that association,

thinking that they could buy her for nothing. They saw that I was a green farmer at the time, and did not know anything about racing, and they said, "You had better sell that mare. The judges will rule you off." I said, "If I can rule off, the mare will go with me. If they rule me off, I will take the mare with me, and I will use her for a saddle mare, and you fellows will never get a hair off of her." I never got ruled off. That was my crooked deal down there. They simply pocketed me. They thought I was easy picking. They even went so far as to have the judges call me down. They said they were sure going to rule me off, and I better sell her right now. They offered me \$75,000 for her. I said, "You suckers can't buy her from me. I don't need your money." That is the crooked deal that Mr. Black refers to. If I had been ruled off or had been in any other crooked deal I could not be secretary of that fair association, and that fair association is a member of the American Trotting Association, of which there is a certificate right there [indicating]. These are infamous lies, pure and simple, and they certainly will have to prove them. There are the credentials, and I will give you a number of the names I have here.

Senator KEYES. Is that all, Mr. Seass?

Mr. SEASS. I think that is all, except I would like to ask this committee to subpoena Mr. Black before it and have him produce his information in writing. I am entitled to it.

Senator KEYES. You mean by "information" the letters you referred to?

Mr. SEASS. I mean the letters where he obtained his information, because he referred there to the fact that he received letters to that effect, and the thing that I want is those letters, in justice to myself and in justice to the committee, because my reputation means a lot to me. I am not a millionaire. My reputation is practically all I have got. I prize my reputation just the same as you gentlemen do. When a man goes out of here and maliciously lies about me, whether he be Mr. Black of Mr. Jones or whoever he is, I want him to substantiate it, and he must substantiate it, and I think in justice to myself, being attacked, I am entitled to have him substantiate it. I have never attacked a speaker in my life. I do not agree with their plan, but the question of a man's personal character never entered into the thing with me, and it does not belong here.

Senator KEYES. If that is all, the committee will stand adjourned subject to the call of the chairman.

(Following is the letter, relative to "Information about Lucas Seass," furnished by Mr. Black at the request of the subcommittee.)

MOUTRIE COUNTY FARM BUREAU,
Sullivan, Ill., February 14, 1922.

MR. JAMES E. BLACK,
Chicago, Ill.

DEAR MR. BLACK: I am inclosing the information that you have asked for in regard to Mr. S. L. Seass, or LUCAS SEASS, as he is known here. It is a little difficult to get all the facts in regard to some of the matters since it happened some time ago and there are no records existing. Probably 99 per cent of the people here would not believe him under oath but they probably would not make a statement of that kind over their own signatures.

Some little while ago, just before the Agricultural Conference, Mr. Seass tried to get appointed through the influence of Congressman Allen F. Moore, as a delegate to this conference. As soon as this became known locally several prominent men wrote Mr. Moore personally protesting against Mr. Seass being appointed to this conference, as they did not want that sort of a man appear as a representative of the farmers. The Bethany Grain Co., a strong farmers' grain company, took the matter up and sent a letter, signed by all the officers and directors of the company to Congressman Moore protesting against an appointment. This is an indication of his standing locally.

Yours, very truly,

ALLEN L. HIGGINS,
Farm Adviser.

INFORMATION ABOUT LUCAS SEASS.

First. Men who were in the race-horse business know that he was suspended by the National Trotting Registry Association for nonpayment of entry fees and other crooked deals. Whether the suspension still stands I do not know, but that can be verified by calling on Mr. F. E. Best, National Trotting Registry Association, Chicago, Ill.

Second. The court records show that at the April term of court for 1891 the grand jury returned an indictment charging him with murder and ordered that he be held without bail. At the June term of court, 1891, he was found not guilty.

Despite the fact that the jury returned a verdict of not guilty there are very few people here who knew him and knew the circumstances but who believe that he deliberately killed John Glorious and started out that morning with intent to do so. The evidence that was provided at the trial is not in existence at the present time, but the story as we get it from the men who knew it at the time is as follows:

Mr. Seass and his hired man went over to his neighbor, Mr. Glorious, to see if some hogs that were in Mr. Glorious's pen belonged to Mr. Seass. An argument developed; then Mr. Glorious ordered Mr. Seass off the place. Mr. Seass jumped over the fence into the road then turned and continued the argument, and taunted Mr. Glorious until he started for Mr. Seass, whereupon Mr. Seass drew a revolver and shot Mr. Glorious, killing him instantly. The only persons who witnessed the affair were Mr. Seass and his hired man, so it was comparatively easy for him to put up a claim of self-defense that could not be successfully refuted by the State.

Third. While there is no evidence to show, it was commonly reported that at one time when he lived in Chicago, some 25 years ago, he was speculating on the board of trade and lost heavily; that is supposed to be the reason why he transferred his property to his wife.

Fourth. The records show that he does not hold any real estate in his own name, at least in Moultrie County. On November 17, 1897, he deeded some 312 acres to William H. Beckman for a consideration of \$35,000. On the same day, November 17, 1897, William H. Beckman deeded to Maggie Seass (Lucas Seass's wife) the same tract of land for a consideration of \$36,000. The records also show that Maggie Seass owns some 37 acres of land near the town of Sullivan, which she bought from the Moultrie County Agricultural Board. This tract is known as the old fair grounds. It is interesting to note that in these records Mrs. Seass uses the name of Maggie Seass, while she is known as Midge Seass and uses that name except in business transactions referring to this land.

The records also show that there is a mortgage of \$35,000 against 312 acres and \$7,100 against the 37 acres.

Fifth. Previous to the annual meeting for the Moultrie County Farm Bureau in October, 1920, he spent a couple of weeks driving through the country trying to secure proxies to vote at the annual meeting, his object being to elect a board that was opposed to the farm adviser. With all his work he was able to get 15 men present at the annual meeting who voted with him, and we understood he had some 42 proxies, and we know for a fact that he secured some of these proxies through misrepresentation. Some of the men, when they learned what his object was, came to the meeting in person to prevent their proxies being voted. His opposition to the farm adviser was due to the fact that when we were trying to organize a county fair the previous winter the farm adviser would not endorse the proposal to buy his tract of land (or rather Mrs. Seass's), since he was asking about double what it was worth, or about \$750 per acre. The real loyal members of the bureau, after his attempt to stir up trouble at this meeting, discussed very seriously the proposition of expelling him from the Farm Bureau, but since the constitution did not provide any way for getting rid of an undesirable member the matter was dropped, so that he still holds a membership in the Farm Bureau.

Sixth. Mr. Seass does not have any standing locally. His word is not considered good.

He also has a reputation of having trouble with his tenants, having a lawsuit with practically every tenant he has had on the place. At the last suit with his tenant three witnesses from his neighborhood were brought into court and they testified that they would not believe Mr. Seass on oath.

Mr. Seass's standing as a farmer can best be shown by his record. He was left some 500 acres of land, all clear from indebtedness, some 25 or 30 years ago; now it has decreased to about 350 acres, and it is mortgaged for all that it will carry.

(Whereupon at 1.15 o'clock p. m. the committee adjourned, subject to the call of the chairman.)

INVESTIGATION OF ORGANIZATIONS ENGAGED IN COMBATING
LEGISLATION FOR THE RELIEF OF AGRICULTURE.

SATURDAY, JUNE 10, 1922.

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met, pursuant to call, at 9.30 o'clock a. m., in room 201, Senate Office Building, Senator Henry W. Keyes, presiding.

Present: Senators Keyes (chairman) and Ladd.

The CHAIRMAN. The committee will come to order.

Is Mr. Eckhardt here?

Mr. ECKHARDT. Yes, sir.

TESTIMONY OF MR. WILLIAM G. ECKHARDT.

The CHAIRMAN. Give the stenographer your full name and residence, please, and your official position.

Mr. ECKHARDT. William G. Eckhardt, 339 West Roosevelt Street, De Kalb, Ill.

The CHAIRMAN. You are treasurer of the U. S. Grain Growers (Inc.)?

Mr. ECKHARDT. Yes, sir.

Senator KEYES. How long have you been treasurer?

Mr. ECKHARDT. I have been treasurer since the incorporation.

Senator KEYES. And when was that?

Mr. ECKHARDT. In April, 1921.

Senator KEYES. And you are still treasurer?

Mr. ECKHARDT. I am still treasurer.

Senator KEYES. You were requested, I think, to bring on such books or papers as would give the committee knowledge as to the finances of your corporation?

Mr. ECKHARDT. Yes, sir.

Senator KEYES. You have them here?

Mr. ECKHARDT. I have.

Senator KEYES. Have you a statement in condensed form that you can give us?

Mr. ECKHARDT. I have; yes, sir.

Senator KEYES. Very well.

Mr. ECKHARDT. Here is what I have now that I can bring before this committee. I have the statement at the close of each month, giving the complete receipts and disbursements as totals and by departments.

The statement at the close of February 28 is the statement that I made before our national convention, and you would have corresponding figures, then, with those which have already been published. I can give you the statement covering the same up to and including April 30.

Senator KEYES. Have you a statement that you can leave with the committee?

Mr. ECKHARDT. Yes, sir.

Senator KEYES. Would you look at this statement [handing paper to witness] and see if that is the statement you refer to as having presented to the last convention on February 28, 1922?

Mr. ECKHARDT. That is evidently correct.

Senator KEYES. If it is not and any questions are asked in regard to it, you can correct it.

Mr. ECKHARDT. Yes. The statement I have here, however, goes much more into detail than that does, giving the expenses by departments.

Senator KEYES. I don't know, Senator Ladd, how far we want to go into details. As far as I am concerned, I do not care to. Of course, it is all right to put in anything you want in the way of proof.

Senator LADD. I should be guided in a thing of that kind by the desires of Mr. Eckhardt. If he feels that there is any advantage to show it by departments, he can

put in, and if he feels that the summary is all that is necessary, I have no objection. He can file what he believes will serve the purpose best.

Senator KEYES. I feel that way myself.

So that we will just confine ourselves to a general statement, or you can submit for publication in the record any statement that you want, Mr. Eckhardt, as complete as one as you want.

Senator LADD. If you prefer to put that one in, it can be incorporated, or if you prefer the other one, that can be incorporated.

Mr. ECKHARDT. This would give to anyone who wanted to go through the work carefully a very complete idea of just where the money has been spent and what it has been paid out for.

May I see that statement you have, Mr. Chairman?

Senator KEYES. Certainly. You understand there is no objection to your putting in this full report, or just as full a report as you want, Mr. Eckhardt, as you think will give information to those who are interested.

Mr. ECKHARDT. I will just make the one point here. Take the expenses on information. They are listed here as—

Senator KEYES. Before we switch off on anything else, let us decide that question of what you will put in of a statement. This statement you are now referring to is not in the record at all.

Mr. ECKHARDT. I believe it would be advisable for this committee to take this entire statement as it stands here.

Senator KEYES. Very well. Then we will understand that whole statement goes into the record.

Mr. ECKHARDT. Yes, sir; of which that you have is merely a condensed summary. Senator KEYES. The statement that you are now putting into the record does include a summary, does it?

Mr. ECKHARDT. Yes, sir. It includes everything you have there as you have it there, and, in addition, it goes into details on those major points.

Senator KEYES. Yes; I understand. Now, I do not know if Senator Ladd has the statement, or anything before him. You haven't another copy, have you?

Mr. ECKHARDT. I can give you my copy, which you can mail to me later on.

Senator LADD. I had not seen that one, but never mind. You go ahead. I think I can follow it closely enough.

(The statement referred to is as follows:)

Statement of assets and liabilities for period ending February 28, 1922.

| ASSETS. | |
|--|--------------|
| Current assets: | |
| Petty cash..... | \$1,000.00 |
| Cash on hand..... | 12,893.07 |
| Accounts receivable— | |
| Advanced to Farmers Finance Corpora- | |
| tion..... | \$16,603.76 |
| Advanced to committee of 17..... | 87.50 |
| | 16,691.26 |
| Due from members: | |
| Notes receivable..... | 139,086.50 |
| Post dated checks..... | 2,700.00 |
| Members checks returned..... | 5,379.25 |
| | 147,165.75 |
| Stamps..... | 285.10 |
| Cash advances..... | 12,840.65 |
| | \$190,875.83 |
| Investments: | |
| Farmers Finance Corporation..... | 12,100.00 |
| United States Grain Growers Sales Co..... | 350.00 |
| | 12,450.00 |
| Sinking fund, fund for payment of notes..... | 37,500.00 |
| Fixed assets: | |
| Equipment..... | 14,159.51 |
| Automobiles..... | 2,404.08 |
| | 16,563.59 |
| Less depreciation reserve..... | 1,855.92 |
| | 14,707.67 |

| | |
|-------------------------------------|-------------------|
| Deferred charges: | |
| Stockroom supplies..... | \$4,794.76 |
| Prepaid rent..... | 4,166.67 |
| Mallers Building alterations..... | 5,198.65 |
| Preliminary expense..... | 3,352.63 |
| | \$17,512.71 |
| Excess of expenses over income..... | 102,524.62 |
| Total..... | 375,570.83 |

| LIABILITIES. | |
|---|-------------------|
| Current liabilities: | |
| Notes payable— | |
| General..... | \$226,000.00 |
| Mumm Romer..... | 3,188.33 |
| Accounts payable— | |
| General..... | 76,474.58 |
| Checks held..... | 12,100.00 |
| Officers and State directors..... | 8,250.74 |
| Interest accrued..... | 10,066.92 |
| Total current liabilities..... | 336,080.57 |
| Reserves: | |
| Receivables reserved for payment of notes..... | 37,500.00 |
| Organization department expense reserve..... | 1,990.26 |
| | 39,490.26 |
| Total current liabilities..... | 336,080.57 |
| Total current and fixed assets..... | 218,033.50 |
| Excess of current liabilities over current and fixed assets..... | 118,047.07 |
| Bushels of grain under contract, 100,000,000. | |
| Net indebtedness for each bushel of grain under contract, 1.18 mills, or a little over one-tenth of a cent. | |

Statement of income and expenses for period ending February 28, 1922.

| INCOME. | |
|-------------------------------------|-------------------|
| Memberships..... | \$486,310.00 |
| Cash discounts earned..... | 247.38 |
| Interest on bank balances..... | 139.17 |
| Interest on notes receivable..... | 235.16 |
| | \$486,931.71 |
| Excess of expenses over income..... | 102,524.62 |
| Total..... | 589,456.33 |
| EXPENSES. | |
| Organization..... | 351,882.27 |
| Finance..... | 23,433.81 |
| Information..... | 83,057.75 |
| Legal..... | 30,352.39 |
| General administration..... | 35,772.65 |
| President..... | 16,836.91 |
| Secretary..... | 13,327.25 |
| Board of directors..... | 13,763.43 |
| Executive committee..... | 7,528.80 |
| Sales department..... | 538.12 |
| Interest..... | 11,107.00 |
| Depreciation..... | 1,855.92 |
| Total..... | 589,456.33 |

Detailed statement of expenses for period ending February 28, 1922.

Organization department:

| | |
|--|--------------|
| Salaries..... | |
| Field men..... | \$244,442.65 |
| Office..... | 16,517.11 |
| Traveling expense..... | 73,082.65 |
| Office supplies..... | 9,731.90 |
| Rent and light..... | 845.33 |
| Postage..... | 1,055.55 |
| Telegraph and telephone..... | 1,819.48 |
| Insurance..... | 108.62 |
| Bond premiums..... | 589.07 |
| Interest (protest fees on checks returned from Oklahoma and North Dakota)..... | 31.68 |
| Advertising..... | 2,194.52 |
| Meetings..... | 265.75 |
| Taxes, revenue stamps..... | 53.25 |
| Freight and express..... | 1,097.61 |
| Cartage..... | 47.20 |

\$351,882.27

Finance department:

| | |
|------------------------------|-----------|
| Salaries..... | 18,748.54 |
| Traveling expense..... | 1,183.99 |
| Office supplies..... | 1,906.78 |
| Postage..... | 444.66 |
| Telegraph and telephone..... | 281.04 |
| Bond premiums..... | 662.00 |
| Taxes, revenue stamps..... | 168.90 |
| Express..... | 37.90 |

23,433.81

Information department:

| | |
|------------------------------|-----------|
| Salaries..... | 14,025.63 |
| Traveling expense..... | 1,078.06 |
| Office supplies..... | 3,036.77 |
| Rent and light..... | 51.35 |
| Postage..... | 2,007.34 |
| Telegraph and telephone..... | 212.24 |
| Advertising..... | 62,508.10 |
| Freight and express..... | 137.51 |
| Cartage..... | .75 |

83,057.75

Legal department:

| | |
|-------------------------------|-----------|
| Salaries..... | 22,700.58 |
| Traveling expense..... | 2,408.01 |
| Office supplies..... | 2,374.87 |
| Rent and light..... | 1,454.36 |
| Postage..... | 683.03 |
| Telegraph and telephone..... | 726.54 |
| Taxes, State filing fees..... | 5.00 |

30,352.39

General administration:

| | |
|-------------------------------|-----------|
| Salaries..... | 10,596.84 |
| Traveling expense..... | 814.30 |
| Office supplies..... | 1,458.61 |
| Rent, light, and janitor..... | 21,724.56 |
| Postage..... | 73.19 |
| Telegraph and telephone..... | 858.14 |
| Freight and express..... | 16.64 |
| Cartage and labor..... | 230.28 |

35,772.65

President's office:

| | |
|------------------------------|-----------|
| Salaries..... | 14,380.00 |
| Traveling expense..... | 1,973.49 |
| Office supplies..... | 114.43 |
| Postage..... | 42.36 |
| Telegraph and telephone..... | 323.63 |
| Bond premiums..... | 3.00 |

16,836.91

Secretary's office:

| | |
|----------------------------------|-------------|
| Salaries..... | \$10,637.19 |
| Traveling expense..... | 530.52 |
| Office supplies..... | 514.09 |
| Postage..... | 873.89 |
| Telegraph and telephone..... | 207.33 |
| Public stenographic service..... | 558.60 |
| Freight and express..... | 2.66 |
| Cartage and labor..... | 3.00 |

\$13,327.28

Board of directors:

| | |
|------------------------------|----------|
| Salaries..... | 9,317.50 |
| Traveling expense..... | 4,302.43 |
| Office supplies..... | 126.30 |
| Telegraph and telephone..... | 9.95 |
| Postage..... | 7.25 |

13,763.43

Executive committee:

| | |
|------------------------------|----------|
| Salaries..... | 3,850.34 |
| Traveling expense..... | 3,603.75 |
| Office supplies..... | 29.00 |
| Telegraph and telephone..... | 43.96 |
| Miscellaneous expense..... | 1.75 |

7,528.80

Sales department:

| | |
|--------------------------------|-----------|
| Interest on notes payable..... | 538.12 |
| Depreciation..... | 11,107.00 |
| | 1,855.92 |

Total.....589,456.33

Statement of cash receipts and disbursements for period ending February 28, 1922.

RECEIPTS.

| | |
|--|--------------|
| Notes payable..... | \$226,700.00 |
| Less discount..... | 183.60 |
| Memberships (cash only)..... | \$226,516.40 |
| Accommodation account (see contra)..... | 288,576.15 |
| Post-dated checks cashed..... | 18,494.94 |
| Notes receivable cashed..... | 15,880.00 |
| Plus interest..... | 18,675.00 |
| Total..... | 235.78 |
| Less collection charges..... | 18,910.78 |
| Members' unpaid checks cashed..... | 264.28 |
| Interest received on bank balances..... | 18,646.50 |
| Cash discounts..... | 2,065.17 |
| Refund on State fees, U. S. Grain Growers (Inc.)..... | 139.17 |
| Refund on State fees, F. F. Corporation..... | 343.06 |
| Paid back on cash advances..... | 72.54 |
| Preliminary expense..... | 3,463.13 |
| Stock account..... | 1,161.31 |
| General administration..... | 19.92 |
| Legal department..... | 116.76 |
| Organization department..... | 11.33 |
| Information department (Mumm-Romer checks canceled)..... | 55.00 |
| | 1,730.54 |
| | 8,461.91 |
| Total..... | 585,753.83 |

DISBURSEMENTS.

| | |
|--|------------|
| Organization department..... | 252,102.31 |
| Finance department..... | 25,030.27 |
| Legal department..... | 25,767.36 |
| Information department..... | 55,763.51 |
| General administration department..... | 40,672.17 |

| | |
|--|-------------------|
| President's department | \$14,837.08 |
| Secretary's department | 11,997.84 |
| Board of directors' department | 10,174.81 |
| Executive committee department | 7,835.87 |
| Sales department | 200.00 |
| U. S. Grain Growers Sales Co. | 350.00 |
| Preliminary expense | 1,988.79 |
| Petty cash fund | 1,000.00 |
| F. F. Corporation stock | 12,000.00 |
| F. F. Corporation current | 19,669.01 |
| Accommodation account (see contra) | 18,494.94 |
| Stockroom | 55,872.87 |
| Cash advanced to individuals | 12,943.14 |
| Cash advanced to information department | 2.40 |
| Stamps | 520.90 |
| Members' checks unpaid | 8,020.29 |
| Mallers Building advances | 3,448.65 |
| Equipment | 1,521.57 |
| Cash discount not allowed | 1.48 |
| Notes payable | 1,000.00 |
| Mumm Rorer Co. | 6,250.00 |
| Equipment | 80.00 |
| Membership refunded | 230.00 |
| Interest paid on notes payable | 87.50 |
| Farmers marketing committee of seventeen | 87.50 |
| Total | 584,960.76 |

SUMMARY:

| | |
|------------------------|------------------|
| Cash receipts | 585,753.83 |
| Cash disbursements | \$584,960.76 |
| Less checks held | 12,100.00 |
| Balance on hand | 12,893.07 |

Statement of receipts from memberships for period ending February 28, 1922.

| | Cash. | Notes. | P. D. checks. | Total. | Number of members. |
|--------------|-------------------|-------------------|------------------|-------------------|--------------------|
| Colorado | \$3,525.00 | \$2,875.00 | \$1,640.00 | \$8,040.00 | 804 |
| Illinois | 80,830.00 | 27,990.00 | 4,570.00 | 112,390.00 | 12,239 |
| Indiana | 39,335.00 | 21,135.00 | 1,920.00 | 62,390.00 | 6,239 |
| Iowa | 32,245.00 | 10,285.00 | 4,410.00 | 46,940.00 | 4,694 |
| Kansas | 8,295.00 | 1,985.00 | 18.00 | 10,298.00 | 1,029 |
| Michigan | 10.00 | 9,730.00 | 850.00 | 17,210.00 | 1,721 |
| Minnesota | 38,280.00 | 9,210.00 | 540.00 | 48,030.00 | 4,803 |
| Missouri | 33,935.00 | 34,045.00 | 670.00 | 68,650.00 | 6,862 |
| Nebraska | 17,245.00 | 31,299.50 | 2,595.00 | 50,939.50 | 5,096 |
| North Dakota | 17,015.00 | 8,855.00 | 1,200.00 | 27,070.00 | 2,707 |
| Oklahoma | 2,345.00 | 1,625.00 | 40.00 | 4,010.00 | 401 |
| South Dakota | 120.00 | 120.00 | | 240.00 | 24 |
| Texas | | | | | |
| Total | 308,790.50 | 159,064.50 | 18,455.00 | 486,310.00 | 48,631 |

Statement of notes payable for period ending February 28, 1922, same as statement December 31, 1921.

| | | | |
|----------|------------|--------------|-------------------|
| Kansas | \$2,000.00 | Minnesota | \$2,000.00 |
| Illinois | 157,000.00 | Iowa | 6,250.00 |
| Missouri | 7,450.00 | Nebraska | 8,000.00 |
| Ohio | 6,000.00 | | |
| Indiana | 22,000.00 | Total | 210,700.00 |

Distribution of organization department, expenses by States, for period ending February 28, 1922.

| | | | |
|-----------|------------|-------------------|-------------------|
| Colorado | \$6,880.54 | North Dakota | \$32,556.19 |
| Illinois | 87,368.73 | Ohio | 948.84 |
| Indiana | 29,763.54 | Oklahoma | 27,687.37 |
| Iowa | 30,887.45 | Pacific Northwest | 1,524.32 |
| Kansas | 14,883.11 | South Dakota | 5,250.21 |
| Minnesota | 13,250.07 | Texas | 142.36 |
| Missouri | 30,585.02 | Total | 330,958.85 |
| Nebraska | 49,222.10 | | |

Organization expense and income, by States, up to and including February 28, 1922.

ORGANIZATION EXPENSE.

| State. | Paid. | Unpaid. | Total. | Loans. |
|-------------------|-------------------|------------------|-------------------|-------------------|
| Colorado | \$5,028.55 | \$1,851.99 | \$6,880.54 | |
| Illinois | 73,969.46 | 13,369.27 | 87,368.73 | |
| Indiana | 24,780.98 | 4,972.56 | 29,763.54 | |
| Iowa | 28,984.98 | 4,902.47 | 30,887.45 | |
| Kansas | 9,622.34 | 5,190.77 | 14,883.11 | |
| Michigan | 7,719.43 | 5,330.64 | 13,250.07 | |
| Minnesota | 29,436.80 | 1,148.22 | 30,585.02 | |
| Missouri | 4,807.13 | 12,715.56 | 49,222.10 | |
| Nebraska | 12,456.77 | 2,141.43 | 32,556.19 | |
| North Dakota | 30,414.74 | 178.40 | 948.84 | |
| Ohio | 17,305.11 | 10,382.26 | 27,687.37 | |
| Oklahoma | 1,507.99 | 1,524.32 | 3,250.21 | |
| Pacific Northwest | 58.61 | 83.75 | 142.36 | |
| South Dakota | | | | |
| Texas | | | | |
| Total | 256,451.19 | 64,507.66 | 320,958.85 | 210,700.00 |

¹ Amounts in the hands of State directors for payment of expense accounts.

INCOME MEMBERSHIPS.

| State. | Cash. | Notes. | P. D. checks. | Total members. |
|--------------|-------------------|-------------------|------------------|----------------|
| Colorado | \$3,525.00 | \$2,875.00 | \$1,640.00 | 804 |
| Illinois | 80,830.00 | 27,990.00 | 4,570.00 | 12,239 |
| Indiana | 39,335.00 | 21,135.00 | 1,920.00 | 6,239 |
| Iowa | 32,245.00 | 10,285.00 | 4,410.00 | 4,694 |
| Kansas | 8,295.00 | 1,985.00 | 18.00 | 1,029 |
| Michigan | 10.00 | 9,730.00 | 850.00 | 1,721 |
| Minnesota | 38,280.00 | 9,210.00 | 540.00 | 4,803 |
| Missouri | 33,935.00 | 34,045.00 | 670.00 | 6,862 |
| Nebraska | 17,245.00 | 31,299.50 | 2,595.00 | 5,096 |
| North Dakota | 17,015.00 | 8,855.00 | 1,200.00 | 2,707 |
| Oklahoma | 2,345.00 | 1,625.00 | 40.00 | 401 |
| South Dakota | 120.00 | 120.00 | | 24 |
| Texas | | | | |
| Total | 308,790.50 | 159,064.50 | 18,455.00 | 48,631 |

Senator KEYES. The statement I have before me, Mr. Eckhardt, shows that the United States Grain Growers (Inc.) has received an income from memberships of \$486,310. This statement is of the date of February 28, as I understand it.

Mr. ECKHARDT. Yes, sir.

Senator KEYES. And it also has received smaller items of income. Under expenses I find, organization, \$351,882.27.

Mr. ECKHARDT. Yes, sir.

Senator KEYES. That seems to be the large item of expense.

Mr. ECKHARDT. Yes.

Senator KEYES. Then there is an item of information, \$83,057.75?

Mr. ECKHARDT. Yes, sir.

Senator KEYES. General administration, \$35,772.657.
 Mr. ECKHARDT. That is correct.
 Senator KEYES. And various other items making a total expense of \$589,456.33?
 Mr. ECKHARDT. That is correct.
 Senator KEYES. I find among assets, due from members, notes receivable, \$139,086.50.
 Mr. ECKHARDT. Yes, sir.
 Senator KEYES. Now, won't you explain briefly what those notes are?
 Mr. ECKHARDT. Those notes are \$10 membership notes that the farmer has paid as his membership to the United States Grain Growers (Inc.).
 Senator KEYES. That is, in getting memberships, the membership being \$10, as I understand—
 Mr. ECKHARDT. Yes, sir.
 Senator KEYES. A member can pay in cash or pay in note or part cash and part note?
 Mr. ECKHARDT. Yes, sir; that is correct.
 Senator LADD. Well, now, what is the length of time of those notes?
 Mr. ECKHARDT. They run from 30 days to more than a year. Very few more than a year.
 Senator KEYES. Well, now, does your organization or do you consider, rather, that those notes are all good? Will the company be able to collect that \$139,086.50?
 Mr. ECKHARDT. I consider those notes will practically be good when the United States Grain Growers (Inc.) begins marketing grain. There is a provision of payment of the notes making the notes collectible against the grain that the farmer sells. So when the contracts are called in effect the amount due the United States Grain Growers (Inc.) on this note can be taken from the proceeds of the sale of the grain. So the notes are good. Even at this time we are collecting more than 60 per cent of the notes as they come due in Illinois. That is to say, on the day when the note is due remittance promptly comes in. That does not mean, however, that much more of the 100 per cent will not be collected in the subsequent follow up letters.
 Senator KEYES. But in your opinion you expect that that will all be paid in due time?
 Mr. ECKHARDT. I think that will be paid in almost 100 per cent.
 Senator KEYES. Now, in the liabilities, I note in this statement, notes payable, general, \$226,000.
 Mr. ECKHARDT. Yes, sir.
 Senator KEYES. And accounts payable, \$76,474.58, and several other items amounting in all to total current liabilities of \$336,080.57. Now, it would seem from this statement that the financial condition of your organization, in plain English, is that there is a deficit of something over \$200,000—\$250,000.
 Mr. ECKHARDT. I can give you a summary of that.
 Senator KEYES. Well, is not that a fair statement?
 Mr. ECKHARDT. It depends on what you would consider assets. For example, our total current liabilities are \$336,080.57. Our total current and fixed assets, as shown from this statement, are \$218,033.50. That consists of the \$190,875.83 listed under assets, the \$12,450 listed under investments, and the \$14,707.67 listed under fixed assets. That gives an excess of current liabilities over current fixed assets of \$118,047.07.
 At that time the United States Grain Growers (Inc.) had under contract to market approximately 100,000,000 bushels of grain. The net indebtedness for each bushel of grain under contract is 1.15 mills, or a little over one-tenth of a cent a bushel. There is a value in that 100,000,000 bushels of grain that has been brought under contract when it goes to move into the market, and the charges against that grain for building up this great volume of business have been approximately 1 cent for 10 bushels of grain, the total charges that stand against the business to-day or at that date.
 Senator KEYES. This statement will show just what the financial condition is, I suppose?
 Mr. ECKHARDT. Yes; it will.
 Senator KEYES. And whatever debts there may be?
 Mr. ECKHARDT. Yes, sir.
 Senator KEYES. That will be cared for, as I understand you, from sales of grain to be made in the future?
 Mr. ECKHARDT. It can be cared for from sales of grain in the future or it can be cared for from the membership income, or other sources.
 Senator KEYES. Are you still getting steadily new members?
 Mr. ECKHARDT. Some; yes.
 Senator KEYES. This statement has been put into the record at some time as to the number of members. As I recall it, it was something like 60,000. Could you give

us the membership at the present date, the latest figures that you have as to membership, and the date?
 Mr. ECKHARDT. It will be the latest that I have here. On April 30 the total membership was 57,466.
 Senator KEYES. On April 30?
 Mr. ECKHARDT. On April 30; yes, sir.
 Senator KEYES. Do I understand that you still have solicitors at work getting new members?
 Mr. ECKHARDT. Yes, sir.
 Senator KEYES. Up to the present time, Mr. Eckhardt, has your corporation marketed any grain?
 Mr. ECKHARDT. It has not.
 Senator KEYES. What are the future plans likely to be? Have you plans perfected so that you know definitely just when you will begin to handle grain?
 Mr. ECKHARDT. I believe it would be advisable to put that question to Mr. Mason, who is here with me, because he is one member of the executive officers who are handling that work. I am still treasurer, but the term of my office will be closed after the line that work. I have not been in close contact with the workings of the corporation, but Mr. Mason, who is here with me, is one of three executive officers who can tell you what plans they have under way for marketing grain much better than I can.
 Senator KEYES. Then I will ask Mr. Mason.
 Now, from what you have just said, do I understand you are just nominally treasurer?
 Mr. ECKHARDT. I am in charge of the books, signing the checks as they go through, but my term closes with the audit of my books.
 Senator KEYES. And are the books being audited at the present time?
 Mr. ECKHARDT. They are being audited. The audit has been just received and has not been acted on by the corporation.
 Senator KEYES. Then perhaps Mr. Mason could tell us better than you as to any future plans of financing of the corporation.
 Mr. ECKHARDT. Yes, sir.
 Senator KEYES. I don't know that I have anything further to ask. Have you, Senator Ladd?
 Senator LADD. No.
 Senator KEYES. I notice under "organization" that in some States the expense for acquiring memberships is considerably larger than the organization receives in income.
 Mr. ECKHARDT. That is true, yes.
 Senator KEYES. For instance, Kansas. The expense was \$14,883.11, and the cash income \$8,205. That is not due, is it, to the failure to collect notes?
 Mr. ECKHARDT. Oh, no.
 Senator KEYES. Because I assume that \$10 was turned into the Treasury in some form. This must be some additional expense in acquiring these memberships.
 Mr. ECKHARDT. The income is in three forms—income in cash, income in post-dated checks, and income in notes from memberships. Does that list give that in that way?
 Senator KEYES. I will show it to you.
 Mr. ECKHARDT. This does not give it all. That does not give the note income or the post-dated check income.
 Senator KEYES. That is just cash income?
 Mr. ECKHARDT. Just the cash alone. That particular table was made up to show the percentage of expense that had been contributed in cash by each of the various States. On the other one, however, there are notes for the balance of memberships or post-dated checks. We will take Kansas, for example. On that date Kansas had a membership of 1,020. The total income in cash was \$8,205, and in notes \$1,985, and \$10 in post-dated checks. That same relation holds in all the States, of course; not in the same proportion, however, because such States as Illinois, Missouri, Indiana, Iowa, where financial conditions are better, the farmers have been able to pay a larger proportion of the expenses in cash. And as we get West and Northwest, where financial conditions have been very difficult, it has been necessary to take more notes.
 Senator KEYES. Will you state, please, what interest you have to pay on money that you borrowed? I note from Illinois, according to the statement I have here, \$157,000.
 Mr. ECKHARDT. That is correct.
 Senator KEYES. That seems to be the largest.
 Mr. ECKHARDT. The interest varies from 2 per cent on the loan we have in Peoria County to 8 per cent as the maximum.

Senator KEYES. And that money is borrowed from whom? From banks or agricultural organizations?

Mr. ECKHARDT. The money is borrowed very largely through agricultural organizations. In some instances 10 or 20 farmers in a locality will indorse the notes, go to the bank, curtail the payments of that note, but the local group of farmers in the organization are responsible for the loan. The note itself may be at the bank.

Senator KEYES. This statement that I have been referring to, as I said before, is as of February 28. Can you give the committee anything, just briefly or generally, of the financial condition of the corporation at the present time? Has the indebtedness increased since February 28 or decreased?

Mr. ECKHARDT. You just want a general statement on that?

Senator KEYES. Yes; just a general statement.

Mr. ECKHARDT. The indebtedness has increased.

Senator KEYES. Approximately by how much?

Mr. ECKHARDT. I could not give you that.

Senator KEYES. Well, I mean would you say it was \$25,000, or more or less?

Mr. ECKHARDT. I wish I had a summary of that before you, but I haven't. One of the reasons for that increase is the cost of the convention that was held in March, that is, the annual convention, which cost should be distributed throughout the entire year, delegates coming together representing the entire membership.

Senator KEYES. Delegates to—

Mr. ECKHARDT. Of the United States Grain Growers (Inc.), who met at Chicago in March. This statement that I am giving to you is February 28. Then in March comes our annual convention, which corresponds to the stockholders of a corporation. This convention gets its officers, and the cost of that should be divided through the entire year, but it is piled up there during the month of March, which would increase the total indebtedness of the corporation to the extent of the cost of that convention.

Senator KEYES. Have you an idea what the cost of the convention is?

Mr. ECKHARDT. Yes; the convention cost \$4,034.

Senator KEYES. Has there been anything else to add to the expenses which would increase the indebtedness, I mean, since February 28?

Mr. ECKHARDT. No. The total proportionate expenses have been less than they have previously per month. The monthly expenses have been less, but the income has also been less.

Senator KEYES. I don't know that you answered the question I asked you as to what the present indebtedness is.

Mr. ECKHARDT. The present indebtedness?

Senator KEYES. Yes. What would you give us as the present indebtedness; that is, up to the last compilation you have made?

Mr. ECKHARDT. You would like the current liabilities on April 30?

Senator KEYES. If that is the latest.

Mr. ECKHARDT. The current liabilities on April 30, notes payable, \$226,000.

Senator KEYES. That is just the same as it was February 28?

Mr. ECKHARDT. I can give you the total amount there. Notes payable and accounts payable and interest accrued and accounts payable to officers amount to \$387,872.38.

Senator KEYES. That is an increase of about \$80,000?

Mr. ECKHARDT. Yes, sir. On the other hand, we have assets that are larger, also. For example, on February 28 the excess of expenses over income was \$102,524.62. I think you have that there.

Senator KEYES. Yes.

Mr. ECKHARDT. And on April 30 the excess of expenses over income was \$129,267.38. That gives you the direct set of figures to compare the difference during that period.

Senator KEYES. Roughly speaking, then, there would be an increased indebtedness of something around twenty-three or twenty-four thousand dollars?

Mr. ECKHARDT. Yes, sir.

Senator KEYES. I have nothing more to ask. Have you, Senator Ladd?

Senator LADD. I don't know that I have, unless there is some other information he wants to give.

Senator KEYES. You will put in the table referred to?

Mr. ECKHARDT. Yes; I will do that.

Senator KEYES. Is there any statement you would like to make, Mr. Eckhardt, in regard to the matter?

Mr. ECKHARDT. I do not see where there is anything further that I could add, excepting to say that I personally consider the indebtedness of the corporation as very small, accounted to the tremendous work that has been accomplished. I have in mind advertising campaigns of business corporations that involve but a fractional part of the magnitude of the business of the United States Grain Growers (Inc.) under-

taking, where the cost of advertising alone very much exceeded our total expenses to date. And, on the other hand, when we consider that here has been drawn together a business that when it gets to functioning that will probably start off as the largest grain corporation in the world, the expense has been very, very small. I am quite confident that there has never been a business of this size in the grain business drawn together at such a small cost, when you consider the magnitude of the business itself.

Senator LADD. Am I correctly informed that it had not been the intention of the corporation to handle grain until the crop of 1922?

Mr. ECKHARDT. There has been a difference of opinion, Senator Ladd, by various members of the board. My own viewpoint was that we must not start handling grain until we had a reasonable amount; that is, an amount large enough so that we could bring into the employ of the corporation one of the most outstanding grain men in the country, or from any place that we could get such a man.

Senator KEYES. By referring to amount you are referring to the bushels of grain or dollars?

Mr. ECKHARDT. Bushels of grain; yes, sir. On the other hand, we have had an amount for some time that I feel we should be operating.

Senator KEYES. That is, that amount—

Mr. ECKHARDT. I feel now that we should be operating, selling grain.

Senator KEYES. And that amount is something around 1,000,000 bushels, as I understand.

Mr. ECKHARDT. We have 100,000,000 bushels under contract. I feel we should be operating. However, it is absolutely necessary that the corporation build its machinery solid before starting operation. Even if it takes some time ahead yet to start operation, the foundation must be solidly built.

Senator KEYES. As I understand you, in your opinion you think the time has come to begin operation?

Mr. ECKHARDT. Oh, yes. The records will show that that has been my stand for some time now.

Senator KEYES. Have you anything further to ask, Senator Ladd?

Senator LADD. No.

Senator KEYES. Very well. We are very much obliged to you, Mr. Eckhardt.

TESTIMONY OF MR. JAMES K. MASON.

Senator KEYES. Give the stenographer your full name and address and your occupation at the present time.

Mr. MASON. James K. Mason. I live at Milton, Ind. My occupation is farmer. I am now vice president of the United States Grain Growers (Inc.), acting also as assistant to the treasurer, and a director and member of the executive board.

Senator KEYES. As assistant to the treasurer, what are your duties?

Mr. MASON. Since the convention on the 25th of March I have had as my duties the designation as to whom checks should be paid to, keeping track of the income. That is about all, in direct contact with the treasury, that I have had.

Senator KEYES. I understood from Mr. Eckhardt, or, that is, I got the impression from him that you would probably assume the duties of treasurer upon satisfactory completion of the audit of the accounts.

Mr. MASON. I think not. I do not believe he aimed to give that impression, and I have no information that that will be true. I rather think not. I think that will not be true.

Senator KEYES. Mr. Mason, the statement that has been put in here, I assume you are familiar with?

Mr. MASON. More or less.

Senator KEYES. Is there anything you care to say with regard to the statement which has been submitted—I mean the financial statement?

Mr. MASON. Nothing of any special importance, unless you are particularly interested in my version of the increase of deficit or indebtedness since the convention.

Noticing the daily cash balances, I find that a good many bills were presented for payment for solicitors and other creditors shortly after the time of the convention. I am not giving any reason for that, but it did act as indicating a radical increase of indebtedness over a short period of time. The indebtedness was incurred over probably quite a time, but through neglect to file the bills at the time the indebtedness was contracted, or at the time, I might say, that they should have been put in, they were held and came in at that time. They do that. They largely come in by periods, and short periods, so that there is no regularity about that in changing the increase of indebtedness or any other item. I think that satisfies all in that connection.

Senator KEYES. As to the financial statement.

Mr. MASON. Yes, sir.

Senator KEYES. Can you give me something about the rate of increase of memberships at the present time, per month or per week?

Mr. MASON. I could give it to you exactly if I had certain papers with me. I can give you an approximate figure that would probably answer.

Senator KEYES. Approximately. That is all right.

Mr. MASON. They are running in the neighborhood of 600 a week. I want the records to show that to be clearly an approximate estimate, because I am sure that I am not exactly right on it.

Senator KEYES. In reply to the question I asked Mr. Eckhardt, which he said he thought perhaps you could answer better, can you say something about the plan for the future or the corporation in marketing grain, as to when you will likely begin actual operations in the way of marketing grain?

Mr. MASON. It seems as if after the passage of the Capper-Tincher bill and it was undergoing a test in the court it was practically impossible to interest any capital in a selling organization, pending decision of that appeal. Since some action has been had by the court we have been working on a plan, and at this time, I think it will be signed and we will be ready to operate during next week. I believe that to be true. I have not until this time disclosed the details of that plan, because of the desire on the part of the financier, if I may call him that, who is proposing to furnish us sufficient capital to begin operations on the Chicago Board of Trade, that his name not be mentioned for public use. I am positive at this time that his name has been disclosed, and I am wondering between myself and my duties to my executive board whether it is important that you should know the person. If you insist—

Senator LADD. I think under the circumstances we should not require him to divulge the name.

Senator KEYES. No; I don't feel that it is necessary at all. I feel if you believe it is not appropriate to give the name, that it would be all right.

Mr. MASON. Let us just leave the name out, and I will say this, that this person, who owns quite a lot of real estate, a lot of farming land, has been engaged, and is at this time, in the sale of grain upon the Chicago Board of Trade. He has agreed to furnish us with \$50,000 with which to promote that much stock, that amount of stock in our sales corporation, this stock to be held by three trustees and offered for sale by them to cooperative elevators, local grain growers' associations, and individuals. The agreement running between the United States Grain Growers' Sales Corporation and the person furnishing this capital is to the effect that when all the stock is resold to cooperative elevators, individuals, and associations this person shall be retired from the active operation of the sales corporation. During the time his money is invested he is to receive a percentage, which has not yet been agreed upon, but which is not to exceed one-fourth of the commissions on the sale of grain on the Chicago Board of Trade.

At the time I left the office yesterday the trustees' agreement had been completed and the contract between the sales corporation and the person furnishing this capital—I hate to have to refer to him in that way—was signed by his signature. I am fairly positive that it will be ready for my signature on my return to Chicago.

Senator KEYES. In your opinion, will that furnish sufficient finance to go on with marketing and handling of this large proposition? It would seem rather small to me, although I am not, of course, familiar with the details of handling grain.

Mr. MASON. I can only answer the question. He agrees that in addition to the \$50,000 represented in stock to loan us as we need it, to the limit of a million dollars, and more if we need it. He has tentatively agreed. Fifty thousand dollars would not go very far.

Senator KEYES. I thought it did not seem very large.

Mr. MASON. That was just for stock and incorporation, and part of that agreement is that he furnish us the use of one seat or two on the Chicago Board of Trade, with one active salesman who is thoroughly acquainted with the operation there, meaning that we could immediately, on signing the contract, begin operations.

Senator KEYES. Just what will be the relation between your sales corporation and the United States Grain Growers?

Mr. MASON. The United States Grain Growers (Inc.), is particularly the organization part, and it is the parent corporation. All others are subsidiary. The Sales Corporation seems to be a necessity because of the rules of the board of trade and the lack of sufficient legislation, if I may say that, to enable us to accomplish the sale of grain on the board of trade under the present law. We are trying to comply with the rules they have got so we can get started, looking to the end for a change that will be less complicated and more in accord with the cooperative principle.

Senator KEYES. Mr. Reynolds wants me to ask what are the objectionable rules that you refer to. You may answer or not, just as you like.

Mr. MASON. Oh, yes. I think that is important. I am glad to give you my version of it.

The most objectionable rule of the Board of Trade is that no company operating as the sales agency shall provide to the persons whom it serves a patronage dividend. They regard that as a rebate, an amount taken from the commission charged and returned to the original seller of the grain. One interpretation is the patronage refund and the other is the rebate. The rebate in the past has served to wreck a number of firms on the markets, they claim, by an unwise use of rebate. For instance, advertising in a quiet way in the country, they say, has resulted in placing a good many thousands of bushels of grain in the hands of certain commission firms with the promise that a certain part of the commission would be quietly turned back. That has been a damaging practice, and there are positive rules against it, and they interpret our act as similar to that, while we hold that it is not. We are contemplating the use of the accumulated profits from the commissions in the acquiring and building of terminal facilities after our financial obligations are paid off, and our current expenses, a certain part of it goes to that, you know, we hope to be able to establish by them in the use of the money that we accumulate in that way for the immediate future.

Senator KEYES. That is the same question that has been up all the time, particularly when the Capper-Tincher bill was under consideration.

Mr. REYNOLDS. Is it in order for me to ask a question?

Senator KEYES. If Mr. Mason does not object.

Mr. MASON. I do not object. I have nothing in the world to hide from you.

Mr. REYNOLDS. That part of the Capper-Tincher bill that refers to dividends, or that provision, was not declared unconstitutional, and the new bill which we were called upon to consider before the House committee the day before yesterday has the same clause as the other bill that has been declared unconstitutional. Now, if I may ask just one more question, is it contemplated that signers, new subscribers to the \$10 fund for membership, that when they become members and their grain is to be handled, that there will be a method by which the already accumulated indebtedness is chargeable to them in handling their grain?

Mr. MASON. No. That can not be done.

Mr. REYNOLDS. Then how is it? Suppose that the active operation of handling grain is transferred to a sales corporation. Where will the funds come from for the United States Grain Growers (Inc.) to liquidate this large indebtedness?

Senator KEYES. I had that same thing in mind.

Mr. MASON. There are two possibilities. I will give my opinion that the active sale of grain will stimulate organization work in such a way that the rapidity of organization will so far outstrip the rate of increasing indebtedness that we will be able—in fact the rate of organization income during the month of February, January more particularly, would have, in the course of 10 or 11 months, wiped out all accumulated indebtedness.

Again, it was necessary to organize the United States Grain Growers Sales Corporation to free the investor from the possibility of tying into the indebtedness of the United States Grain Growers. It was a necessity for that reason alone, making it only liable for its own indebtedness. Does that answer your question?

Mr. REYNOLDS. Yes; because there has been a rumor; and may I ask you this one question? Is there contemplated any such deal as selling to anyone the contracts that are outstanding with the farmers now?

Mr. MASON. Absolutely not; and beyond that, it would be an impossibility for any one to do that if they wanted to. They are untransferable. They can not be enforced if they were transferred, and there is no intention, and that rumor that comes to us seems to come from sources and is an intent to injure us in the eyes of those signing the contracts.

Mr. REYNOLDS. Do you consider that the contracts that you have with the individual farmers now are immediately transferable to a sales corporation, although it be a subsidiary to the grain corporation?

Mr. MASON. Through the United States Grain Growers, I do.

Mr. REYNOLDS. I mean, do you consider that the United States Grain Growers (Inc.) can legally make a transfer of those contracts and bind the contracting farmers to deliver their grain to the corporation, although it be a subsidiary?

Mr. MASON. That method that we propose to do it, I think it can; yes. We do not propose to transfer the contract to the subsidiary, and we have the same officers. Officers of the subsidiary are the officers of the United States Grain Growers, and all the common stock is to be owned by the United States Grain Growers, and it is to be fairly controlled by them. Therefore, it will not prove to be a method of indirect control of the United States Grain Growers. It is only done to accomplish the sale of grain, and not with any intention of creating a new deal for the signer of a contract.

Mr. REYNOLDS. I thank you, Senator Keyes. I beg your pardon for interrupting. Mr. MASON. I believe that is an important part, myself.

Senator KEYES. It seems to me that it is. Senator Ladd, have you any questions? Senator LADD. I have no questions at all.

Senator KEYES. I think we have covered the financial part of it pretty thoroughly, and, as far as possible to tell about future plans, I think we have covered that very fully by Mr. Mason. I do not know that I have anything further to ask. If you have any statement you would like to make in regard to the United States Grain Growers (Inc.), we would be very glad to have you do it.

Mr. MASON. Mr. Chairman, it is my opinion, after reading the documents that you have accumulated this far in this examination, that it would be wise on my part not to burden you with anything further from me. I think I would rather hold to myself any remarks or opinions, unless it is your desire that I give them.

Senator KEYES. I think we all realize that it is a very important matter and one that is certainly of great interest to the country at the present time. We have built up systems of marketing not only grain, but cotton and other things, and I do not think anyone wants to take the position that any system we have can not be improved. On the other hand, I think that we are all looking for improvement, and will only welcome any change that will be for the better of all interested.

Mr. MASON. I would like to close with this expression answering, without referring to any particular persons, the assault that has been made on our plans and operations by those persons who are opposing us, giving you as my interpretation of the farmers' product as a manufactured article belonging to him until he accepts for that product a purchase price. I hold that he has the right to create the machine through which his own products are marketed, and while I do not desire to cripple any other man's business, I hold the sale of grain to be a service, and not entitled to be capitalized and placed between the farmer and the consumer of his product, and to seek legislative right to keep the farmer from marketing that which he produces, either individually or cooperatively.

Senator LADD. Mr. Chairman, there was a delegation from New England here this week. They were unable to remain over. That delegation included the presidents of some State farmer bureaus of New England, together with the men who are interested in cooperative work in New England, and it would seem from their statement that there was fear, perhaps with good reason, that the Grain Dealers' National Association were transferring some of their activities to New England. The president of the Farmers' Bureau of the State of New Hampshire presented me with a copy of a letter sent out by the Boston Chamber of Commerce, and with a circular sent out by the Grain Dealers' National Association, signed by Charles Quinn, secretary, the original of which is in the hands of the president of the Farm Bureau Federation of New Hampshire, and which he is ready to bring, if summoned and his expenses paid. He can not make another trip here at his own expense. He requests that I submit to the committee the copy of the circular and the letter, and that it be published.

Senator KEYES. I have seen that. The president of the farm bureau of my State called upon me also.

Senator LADD. Without objection, I ask that that go into the record.

Senator KEYES. Yes.

(The letter and circular referred to are as follows:)

GRAIN BOARD OF THE BOSTON CHAMBER OF COMMERCE.

We earnestly request that you read carefully the inclosed circular which discloses a situation with which you may not be completely familiar. The efforts of the United States Grain Growers (Inc.), have failed financially and otherwise and evidently they are not to be the factors they would have been but for the prompt and efficient opposition of the Grain Dealers' National Association.

Periods of deflation in grain prices such as we have been passing through always give professional agitators a chance to operate. Do not forget, in this connection, the work of the representative of the Association at Washington. It is difficult for one, not closely in touch, to realize the number of radical bills hostile to the grain trade which make their appearance in each session of Congress. The work of combatting false doctrines of agitators and of educating the farmers must be continued—must be raised to make good the deficit incurred on work already done and to carry on for at least another year. Contributions have been sought and received from every section of the country, except New England. We must do our bit.

Following addresses by President Clement and Secretary Quinn, of the Grain Dealers' National Association in Boston, recently, the undersigned special committee of the Grain Board, was appointed to canvass New England. We feel confident

the response will be satisfactory. Do not say, "It's not our funeral." We are all in the business of selling and distributing grain—what affects the trade at large, affects us and New England has never been found wanting when its support is needed.

We want you to contribute something to the cause—no contribution is too small. We would rather have \$5 from each of 200 dealers, than to have three or four dealers make up the same total for it would prove wide-spread interest and support. Make your check payable to Forrest S. Smith, Treasurer, Chamber of Commerce, Boston, and mail it to-day.

Faithfully yours,

ALEX. S. MACDONALD, *Chairman,*

FORREST S. SMITH, *Treasurer.*

SETH CARLIN, Jr.,

RODNEY T. HARDY,

HARRY N. VAUGHN,

Special Committee of the Grain Board.

GRAIN DEALERS' NATIONAL ASSOCIATION.

Never before in the history of the trade has there been presented such a situation as now confronts the handlers of the grain in this country.

Aided by the National Government, through many of the county agents, part of whose salaries are paid by grain dealers, the leaders of farm movement have for the last year sought to drive the grain middleman out of business.

Through an extensive propaganda, a nation-wide attempt has been made to discredit the present system of grain and feed distribution. Half truths and whole falsehoods have been disseminated in the effort to prove to the farmers that grain and feed dealers and other middlemen are exacting an excessive toll in the handling of farm products. And in this work of misrepresentation some of the county agents have been leaders. They have endeavored to build up at your expense and ultimately at the expense of the consumer, a gigantic cooperative monopoly which would embrace all the farmers of the country. You are all familiar in a general way with what has been going on since last spring. You know the attempt that was made to float a finance corporation with preferred stock of \$100,000,000 and which corporation was to finance several hundred millions of bushels of pooled grain. And you know how this scheme was encouraged and abetted by the agents of the Department of Agriculture.

It was to meet this situation that the Grain Dealers' National Association created a special executive committee after a general meeting in Cincinnati, Ohio, on June 27 last. This committee began work at once. It attacked the cooperative scheme in pamphlets, leaflets, and booklets, which were sent by the millions to the farmers in the grain-growing sections of the country. It also sent able speakers to several hundred meetings of farmers in Illinois, Iowa, Kansas, Missouri, Indiana, Ohio, Minnesota, and other States. These speakers told the farmers in plain every-day language just how grain is handled and what profits are taken. They discussed in detail the present competitive system of handling grain. They explained that this system is a natural evolution covering a period of more than 100 years, and they showed how it is infinitely less wasteful and more efficient than any other cooperative scheme, that would be directed by agitators, who have no knowledge of the grain business.

The work of the special committee of the Grain Dealers' National Association bore fruit. The cooperative scheme which sailed under the high-sounding name of the United States Grain Growers (Inc.), has failed. It has collected \$486,310 from farmers at \$10 each, and in addition it has borrowed \$210,700 from various State farm bureaus and agricultural societies and still, according to the statement of the growers' treasurer, made at the annual meeting in March, and they are in debt to the amount of \$102,524.62. Whenever the Grain Dealers' National Association attacked the scheme it failed. The Grain Growers claim a membership of 55,000, but they would, without the least doubt, have had ten times that number had not the Grain Dealers' National Association exposed the weakness of the scheme to the farmers of the country.

It is the plan of the association to continue for another year at least the work started in Cincinnati last June. The education of the farmers must be continued. He must be taught the value of the services that you render in the distribution of his products, and once he understands this the agitators who are leading him will be out of a job.

The trouble with the grain trade in the past has been that it permitted the many slanderous statements made against it to go unchallenged until even the city dweller has become inoculated with the belief that you were robbing the farmer.

This can all be changed by a quiet, dignified campaign of education among the producers. If the grain dealers do not defend themselves when attacked, the public is bound to believe that what is said against you is true. A lie repeated constantly and not contradicted will in time be accepted as truth. Nothing is surer than that. The campaign inaugurated last June cost the association a little more than \$75,000, but it was the best investment the grain trade ever made. It broke up the wild, impractical scheme of the agitators and it placed the farmers in a receptive mood to listen to economic sense. This advantage which has been gained after so much hard work must not be lost now.

The Grain Dealers' National Association has collected nearly all of the money needed to liquidate the affairs of the special committee; that is, it has raised more than \$70,000. The deficit it has to meet is but \$4,500. We ask you to contribute to this work, so that this small deficit may be wiped out and a substantial fund created to continue the work of education for another year.

The association maintains a representative in Washington all the time to look after your legislative interests. He is daily in communication with the officers of the association. He keeps them advised of the progress of each piece of hostile legislation, that is introduced in Congress and he makes arrangements for hearings before the House and Senate committees. All of this work is done for you as well as for every other handler of grain feed. If the association had not been watchful of your interest during the last 12 months, the situation in the grain trade would be much graver than it is to-day. Had the grain growers secured half a million members instead of 55,000, they would have an immense fund in their treasury to-day, and they would be enabled to pool half a billion bushels of grain on this crop. Of course their plan would ultimately fail, but they would have done an immense injury to you and to the regular trade before the smash came. The agitators had succeeded in making the farmers believe that you are their enemy. The grain Dealers' National Association with your help can prove to them that you are their real friend.

CHARLES QUINN, *Secretary.*

Senator KEYES. That recalls to my mind that there was some information asked of Mr. Reynolds at some previous hearing, and which he has submitted, and without objection I will have that put in the record before it is completed. So, then, this investigation is closed.

CRABBS REYNOLDS TAYLOR CO. (INC.),
GRAIN AND FIELD SEEDS,
Crawfordsville, Ind., May 30, 1922.

MR. CHAS. C. WRIGHT,
Care of Senator KEYES,
Washington, D. C.

MY DEAR MR. WRIGHT: I am inclosing you herewith two clippings in triplicate bearing on the United States Grain Growers (Inc.), on which subject I testified before your committee on March 13. I wish you would deliver one of these to each of the three Senators, Keyes, Ladd, and Smith, composing the special committee on investigation.

Will you kindly call their attention to the fact that the subject matter in the large clipping from the Chicago Tribune was written by Mr. Frank Ridgway, the same party who wrote the article in the Tribune last year regarding the prices we were paying for grain at South Raub. He seemed at that time to be all for the United States Grain Growers (Inc.) but is now seemingly changing up a little.

Further, will you please call their attention to the marginal note dealing on the indebtedness of the United States Grain Growers (Inc.). You will call to mind that in my testimony, wherein I stated that they had probably spent all the money collected from the farmers and borrowing some besides, that they asked if this could be substantiated. I offer this as additional proof of my statement.

In my testimony I called into question the honesty of some of the people backing the United States Grain Growers (Inc.). Senator Ladd said that was a pretty serious charge. Please call his attention to the open challenge put out at their meeting in Chicago against Mr. Gustafson. I did not care to use names. Others of their own number seem to be more willing to point out the parties.

I hope that I will not burden you in asking you to perform this service for me.

I am writing personal letters to Senator Ladd and Senator Keyes. I do not think it is necessary to write Senator Smith, as he was not present.

Most sincerely yours,

C. E. REYNOLDS.

P. S.—I note in the printed hearing of 13th that the grain dealers' fund is printed as \$62,000,000 instead of \$62,000. Could this be corrected in the permanent file of the hearing?

[From Chicago Tribune, March 23, 1922.]

GRAIN GROWERS STAGE ELECTION FIGHT AT MEET.

[By Frank Ridgway.]

Personal politics and quarrels over the election of the 21 directors to control the United States Grain Growers (Inc.) threatened to disrupt the farmer-owned grain-marketing organization at the second day's session of its first annual convention here yesterday. All afternoon the delegates smoked, whistled, and sang State and national airs while the rules committee, behind closed doors, wrangled over the method of electing the next board of directors.

Different factions seem to have sprung up and each group is fighting for representation on the board of directors. Unless some compromise can be reached, many predict that the outcome of the cooperative grain growers' first meeting may be serious.

FIGHT ON ELECTION.

The big question came up over the method of electing directors. Each state or district nominates a director and the membership as a whole elects the 21 men that compose the board. A majority of the delegates can write in the names they wish and elect the men they want, entirely defeating the nominations made originally by the State or district. This might mean that some States with a large membership that had contributed big sums of money would not be elected. For example, Illinois with 10,250 members could nominate its delegates and be defeated by delegates' votes from other sections.

When the afternoon session closed no decision had been made. It was rumored that some compromise might be effected before the annual meeting ends.

UNITED STATES BUREAU WILL MARKET.

Whatever happens to the United States Grain Growers (Inc.), the Federal Farm Bureau officials announced last night that it would stand back of all its promises to market the farmers' grain more effectively through a cooperative system.

Illinois is the chief creditor of the big grain-marketing organization, according to a statement made by V. G. Eckhardt, treasurer. The grain growers' organization owes Illinois more than \$157,000. Most of the borrowed money was furnished by the Illinois Agricultural Association, county farm bureaus, and individual farmers, who have underwritten local loans in this State. The treasurer's report showed a deficit of \$59,556.13, which is made up largely of organization expenses.

The pooling policy is expected to be the big issue after the board of directors is elected.

[From Chicago Tribune, March 24, 1922.]

GRAIN GROWERS CONTINUE TO ROW OVER NEW BOARD—HARMONY COMMITTEE CAN'T MAKE PEACE.

[By Frank Ridgway.]

Fighting over the election of the board of directors to run affairs of the United States Grain Growers (Inc.), this year continued all day yesterday at the third day's session of the organization's first annual meeting. The board had not been elected late in the afternoon. This makes the second day that administration and anti-administration forces have been wrangling over representation on the board.

A peace committee of 11 was appointed to work out some means of harmonizing the two factions, but was compelled to report "no progress" at the opening of the afternoon session. The delegates then took things into their own hands and wrangled all afternoon without accomplishing anything definitely, passing a few minor resolutions, but delayed election of the board members.

ATTACKS ON BOARD MEMBERS.

Personal attacks were made on some of the members of the present régime by supporters of the antiadministration.

"I want to publicly accuse C. N. Gustafson, president of the United States Grain Growers (Inc.), as having postponed the progress of the Farmers' Finance Corporation," said Robert N. Clark, head of the organization work in Illinois.

In referring to delay in marketing grain, Mr. Clark said: "It is physically impossible for us to make all of our contracts in Illinois operative by the 1st of July, as we have promised, under the direction of the present administration."

It was rumored that W. G. Eckhardt, Mr. Clark, Robert Cowles, Charles Finley, and Robert Peterson had been unanimously selected as candidates for the board by the 11 delegates from Illinois. The Illinois membership represents one-fourth of the entire organization. If the administration group elected their chosen candidates antiadministration supporters said that several changes would be made in the number as well as in the personnel of the representatives on the board. Illinois is allowed to nominate five directors, but does not expect to have more than three or four on the board if the administration candidates win.

CLARK TAKES FINAL SHOT.

"Any man who is not big enough to forget personal ambitions and prejudices for the good of the United States Grain Growers (Inc.) is not big enough to hold a position in any farmers' cooperative organization," stormed Mr. Clark, in making his final appeal for fair representation on the board for Illinois.

Clifford Thorne, attorney for the United States Grain Growers (Inc.), told the delegates the organization was too big to be wrecked by any one man or a dozen men, because it had more than 50,000 farmers, represented by contracts in the organization's vault, to back it up.

"The man who raises his hand to wreck this organization is also attempting to wreck the whole cooperative movement in America," Attorney Thorne said.

If the plans are carried out, it is claimed, the United States Grain Growers (Inc.) will become the most gigantic brokerage house in the world, contracting for 100,000,000 bushels of grain for five years. Plans are already made and steps are being taken to buy seats on all the exchanges in this country. The exchanges memberships will cost \$30,000.

[From Chicago Tribune, March 25, 1922.]

GRAIN GROWERS END CONVENTION IN WILD SESSION—CAUCUS RULE IN ELECTION THREATENS DISRUPTION.

[By Frank Ridgway.]

While C. H. Gustafson, president of the United States Grain Growers (Inc.), vigorously pounded the table with a hammer, a half dozen minority delegates sawed the air with their hands—struggling to get in their last words of protest over the election of the new board of directors—the majority faction loudly yelled "aye," officially ending the three-day fight at the organization's first annual convention.

The war is still on between the two groups. The convention closed at noon yesterday and the minority delegates went into session immediately at the headquarters of the American Farm Bureau. They represent the grain growers in Illinois, North Dakota, Kansas, Oklahoma, Texas, and Michigan, and held 46 per cent of the votes of the entire convention.

WILL MARKET GRAIN ANYWAY.

The minority delegates gave out the statement that they would assure the farmers who have signed contracts with the United States Grain Growers (Inc.) that they are determined to market grain cooperatively at the earliest possible moment.

"This," the statement says, "will be done through the sales agency of the United States Grain Growers (Inc.) if possible. If it is impossible to restore the United States Grain Growers (Inc.) organization to the democratic control of its membership these States will take immediate steps to create other agencies for marketing grain."

"The feeling of the minority delegates is that no cooperative enterprise can succeed under caucus rules, and that the unfair action at the recent election of the board of directors must be fully corrected if the United States Grain Growers (Inc.) is to succeed."

SIX REFUSE TO SERVE.

Six of the newly elected directors from the minority side refused to serve because the wishes of the delegates from the various districts had been ignored, "depriving the growers of said districts from being represented as the by-laws provide. We, as directors, elected at said meeting, feeling that under present conditions as above outlined we can not honorably accept such office, do hereby decline to attend meetings of said board until such time as the injustice done is remedied."

This statement was signed by Robert N. Clark, Illinois; Robert A. Cowles, Illinois; Robert Patterson, Illinois; A. J. McGinnis, North Dakota; A. G. Burgeson, North Dakota; and Charles R. Finley.

It was rumored that Mr. Clark, director of organization work in Illinois, would notify all of the solicitors in this State to discontinue their work until definite arrangements are made for the selling of grain that is now under contract.

NORTH DAKOTA TO ORGANIZE.

North Dakota expects to organize as a State unit within 10 days, according to U. L. Burdick, member of the old board. He said if the United States Grain Growers (Inc.) establishes a sales agency North Dakota will negotiate with the growers' organization here to sell its grain.

"We have no confidence in the Gustafson administration," said Mr. Burdick. "We do not believe that under his leadership the 1922 grain crop will be sold. Hence, we will wait a reasonable length of time for action of the new board, and then, if the selling agency is not ready to function, we will merchandise our own grain."

Immediately after the close of the convention the new board of directors went into regular session to consider filling the vacancies left by the directors who refuse to serve. The establishment of the sales agency for the handling of grain on the various exchanges was also to be considered.

(The following are an affidavit of and documents submitted by Mr. R. I. Mansfield, of Chicago, Ill.):

STATE OF ILLINOIS,

County of Cook, ss:

R. I. Mansfield, being duly sworn, makes the following statement by way of giving further information to an investigating subcommittee of the United States Senate, of which Senator Henry W. Keyes is chairman, and respectfully requests that the same, together with the documents thereto attached, be incorporated in and made a part of the record of the investigation conducted by the said investigating subcommittee into certain educational work carried on by the Grain Dealers' National Association.

Mr. Mansfield deposes and says: My name is R. I. Mansfield, my residence is Chicago, I am the R. I. Mansfield who testified at Washington, D. C., before the investigating subcommittee of the United States Senate, of which Senator Henry W. Keyes is chairman. In making this statement under oath it is my object further to assist in the work of that committee by furnishing supplementary evidence concerning testimony given by myself and other witnesses before that committee. This evidence I herewith present, attached hereto, the various documents being identified as Exhibits A, B, C, etc.

The testimony given before the investigating subcommittee, which the evidence herewith presented will corroborate, may be epitomized generally as follows:

I. That objections to the methods and business theory on which the United States Grain Growers (Inc.) is based were voiced by others long before (and since then, also) the Grain Dealers' National Association met at Cincinnati in June, 1921, and appointed the so-called "Mansfield committee," of which I was chairman, to carry on a campaign to educate the farmer and try to save him from losses bound to follow upon his signing a United States Grain Growers' (Inc.) contract providing for the marketing of his grain for a period of five years.

II. That many cooperative organizations in Nebraska are now insolvent. In the organization of some of these C. H. Gustafson, president of the United States Grain Growers (Inc.), assisted.

III. A one-year contract, purporting or pretended to be a United States Grain Growers (Inc.) contract, was offered for signature to farmers in the State of Minnesota.

IV. The United States Grain Growers (Inc.) is insolvent now, and has given up the attempt to secure additional members in the State of Illinois.

All the documents attached hereto present the truth to the best of my knowledge and belief. Most of them show on their face the source of the information they contain. In every case the information is secured with the greatest possible care that it might be accurate and authentic; and it would be accepted in general business as authoritative.

1. That objections to the methods and business theory on which the United States Grain Growers (Inc.) is based were voiced by others long before (and since then also) the Grain Dealers National Association met at Cincinnati in June, 1921, and appointed the so-called "Mansfield Committee," of which I was chairman, to carry on a campaign to educate the farmer and try to save him from losses bound to follow upon his signing a United States Grain Growers (Inc.) contract for the marketing of his grain.

1. Exhibit A comprises objections made by Charles Kenning, president of the Farmers' Grain Dealers Association of Minnesota, to the skeleton plan for marketing grain, as proposed by the Committee of Seventeen, and sent to him for criticism on February 24, 1921.

2. Exhibit B is the reprint of a letter from the said Charles Kenning, dated May 12, 1921.

3. Exhibit C is the reprint of two letters, one written to the said Charles Kenning and the other written by him during November, 1921.

4. Many cooperative organizations in Nebraska are now insolvent. In the organization and direction of some of these C. H. Gustafson, president of the United States Grain Growers (Inc.), assisted.

1. Exhibit X is a report, comprising three sheets, of the Bradstreet Co. concerning the financial condition of the Farmers' Union State Exchange of Omaha, Neb., as of December 31, 1921. C. H. Gustafson, president of the United States Grain Growers (Inc.), resigned from the presidency of this organization in February or March, 1920, but continued as a director until January 1, 1921, having served in an official capacity for several years prior to those resignations.

2. Exhibit Y, comprising two sheets, is made up of financial statements for the last fiscal year of 12 Nebraska farmers' organizations. Eight of these show a loss for the year and four show a profit; but in the cases of two of those showing a profit that profit is less than \$500 in each case, although each of the two cooperative companies in question is capitalized at \$50,000. The losses for the year in the other eight cases range from \$196.45 by the Farmers' Union Cooperative Association of Yutan to \$10,665.07 by the Farmers' Grain and Stock Association of Creston. The 12 financial statements included in Exhibit Y are those of the following organizations:

Farmers' Grain and Live Stock Co., Hardville, Neb.; Farmers' Union Elevator Co., Mead, Neb.; Farmers' Cooperative Grain Co., David City, Neb.; Farmers' Cooperative Grain Co., Osceola, Neb.; Farmers' Grain and Live Stock Co., Weston, Neb.; Farmers' Elevator Co., Brainard, Neb.; Farmers' Union Cooperative Association, Yutan, Neb.; Farmers' Grain Co., Schuyler, Neb.; Farmers' Grain and Stock Association, Creston, Neb.; Farmers' Union Cooperative Association, Holbrook, Neb.; Farmers' Union Cooperative Association, Cook, Neb.; Spaulding Elevator Co., Spaulding, Neb.

3. Exhibit Z is a certified copy of the second amended petition in equity filed in the District court of Dodge County, Neb., in the case wherein Farmers' Cooperative Mercantile Co. of Scriber is plaintiff and Arthur H. Shultz et al. are defendants.

4. Exhibit E is the financial statement of the Farmers' Union Elevator Co. of Lawrence, Neb., dated December 31, 1921.

5. Exhibit F is the financial statement of the Farmers' Cooperative Association of Carroll, Neb., dated March 18, 1922, covering a period from October 1, 1920, to September 30, 1921.

6. Exhibit G is the financial statement of the Farmers' Grain & Stock Co. of Crofton, Neb., covering the period from January 1, 1921, to December 31, 1921.

7. Exhibit H is the financial statement of the Farmers' Union Mercantile Co. of Pender, Neb., covering the period from October 1, 1920, to September 30, 1921.

8. Exhibit I is the financial statement of the Farmers' Union Cooperative Association of Bloomfield, Neb., covering the period from February 1, 1921, to January 31, 1922.

9. Exhibit J is the financial statement and analysis of the condition of the Farmers' Union Cooperative Association, of Wayne, Neb., as of December 31, 1921.

10. Exhibit K is the financial statement of the Farmers' Grain & Live Stock Association, of Tekamah, Neb., as published in the Tekamah Journal of March 16, 1922.

11. Exhibit L is the financial statement of the Farmers' Union Elevator Co. of Harvard, Neb., covering the period from January 31, 1920, to January 31, 1921, and the financial statement of the Farmers' Cooperative Co., of Eldorado, Neb., as published in a newspaper.

12. Exhibit M is the financial statement of the Farmers' Union Elevator Co. of Harvard, Neb., covering the period from January 31, 1921, to January 31, 1922, as published in a newspaper.

13. Exhibit N is a report from the Bradstreet Co., concerning the Galva Union Elevator Co., of Galva, Iowa.

111. A one-year contract, purporting or pretended to be a United States Grain Growers (Inc.) contract, was offered for signatures of farmers in the State of Minnesota.

1. Exhibit O is a copy of the one-year contract used in Minnesota by the Equity Cooperative Exchange. That farmers signed this, being led to do so in the belief that it was a United States Grain Growers (Inc.) contract and that it was openly charged that this contract was used by the Equity Cooperative Exchange to undermine the United States Grain Growers (Inc.), is made evident by

2. Exhibit P, which comprises advertisements in the Fargo (N. Dak.) Courier-News of November 29, 1921, that reproduce important letters and telegrams.

3. Exhibit Q is a copy of a letter written to me on March 24, 1922, by J. M. Anderson, a director of the Equity Cooperative Exchange. Attached to it are six papers (three letters, one "Shipping instructions for pooling grain," and two "Shipping notice" blanks).

IV. The United States Grain Growers (Inc.) is insolvent now; and has given up the attempt to secure additional members in the State of Illinois.

1. Exhibit R is a reprint of two letters written by Charles Kenning, secretary of the Bird Island (Minn.) Farmers' Elevator Co.

2. Exhibit S is the financial statement of the United States Grain Growers (Inc.), as of February 28, 1922, reprinted from the American Farm Bureau Federation Weekly News Letter. This indicates the expenditure of \$486,310 collected from farmers in \$10 membership fees; and the creation of a deficit of \$102,524.62; and indicates that not one single bushel of grain has ever been directly handled.

As there is no way in which this deficit can be made up except out of the selling price of farmers' grain sold by the organization, it is evident that farmer members do not benefit by having their grain sold, in accordance with the five-year contract they have signed, by the United States Grain Growers (Inc.). On the contrary, besides the ordinary expense of handling and selling such grain, there must also be charged against the price received for it this deficit.

That the expenses of the United States Grain Growers (Inc.) were excessive is evident in the financial statement. Nor can further membership fees of \$10 each be counted upon to make up the deficit and to pay the continuing enormous expenses. Already in the State of Illinois, where the largest number of members was secured, the solicitation for members has ceased.

3. Exhibit T is a clipping from the Chicago Tribune of March 26, 1922, announcing the halt in the drive for new members in the State of Illinois.

Hence the United States Grain Growers (Inc.) is insolvent now, and because the nature of the contracts signed by farmers and elevator companies for the handling of grain by the United States Grain Growers (Inc.) really places that organization in what ought to be considered a fiduciary relation toward its farmer members in regard to the proceeds from the sale of that grain, therefore it should be prohibited from taking over any grain under such contracts, for such action, if it is not actually criminal because of the nature of the contracts—now that the organization is on its own financial statement insolvent—is surely contrary to public policy, as it can result only in irredeemable loss to farmers whose grain is so handled.

Respectfully submitted.

R. I. MANSFIELD.

Subscribed and sworn to before me this 29th day of April, A. D. 1922.

[SEAL.] F. D. WADE, Notary Public.

EXHIBIT A.

MINNESOTA.

KENNING OFFERS HIS OBJECTIONS.

Yours of February 24, with a skeleton outline plan for the marketing of grain as proposed by the Committee of Seventeen, received. You ask my honest opinion of this plan. In reply will say, after carefully reading and considering the contents and taking into consideration the general condition of the producer, his requirements and general inclinations, I have but one answer to make. Not workable and very

unsafe. It would require a great deal of space to go into this matter thoroughly, but I will go over it briefly and for that purpose herewith include a copy of the proposed system as you have furnished me with, and for convenience have marked and numbered it "Article I, sections 1 to 11, inclusive," and will take up each question in its turn, as published in the Manager for February 25.

Article I defines a sales agency.

As I understand our corporation laws, no corporation can be incorporated that has no capital stock in its organization, but a group of men may form a company and do business as a company and thus become liable to the extent of the amount that could be solicited from them in a legal process, but would be a very unsafe concern to do business with, as only too many have experienced in the past.

Sec. 1. *National sales agency.*—To establish these would require a large and expensive force of officials and clerical help, together with places of doing business in all the different business markets. This alone would require a large amount of money and judging by the management of public affairs of this nature in the past few years, require more than double the amount required under personal interests management and, as shown of late, give room for graft and dishonesty.

Sec. 2. *Terminal elevators in connection with branch sales offices.*—No stockholders and therefore no capital, but a group of men would go together and do business under a firm name and in that way become a corporation and be personally liable, but a very unsafe corporation for the public.

Sec. 3. *Facilities for financing by country elevators.*—There would be no country elevator that would offer the project as now contemplated to hold grain until prices are satisfactory is to be carried out. Present storage facilities will be but a small part they will continue to do business at the old stand and will not be eager to help this project. Here, again, we will need a large amount of capital. We will not have the opportunity offered the grain growers of Canada some years ago by their Government in the shape of a line of Government terminal elevators, which were causing a great loss to the Government under the Government management and were therefore turned over to the Grain Growers Corporation and operated by them as other corporations handled those products. Therefore this would require years to perfect, and eventually bring us back to the same sort of handling that we now have in handling and selling our products.

There would be no country elevators that could finance themselves in a project of this kind, as there are but few now able to finance themselves when they are shipping and selling as regularly as facilities and opportunities will permit. Should they attempt to hold for pooling they would soon have to close up and the result would be in favor of line houses and independents. We must not overlook the fact that the larger proportion of the surplus grain raisers to-day are renters and will mostly all sell, as they have no other income and need the money, while the producer that owns his farm is a more diversified farmer and likely feeds his grain upon the farm, and I have also invariably found him a hard man to get much money from to boost enterprises of this kind, which at its best must be classed as a speculation pure and simple.

Sec. 4. *Marketing export grain.*—This is a business of its own, requiring men especially trained in this business, of wide experience and familiar with the needs and markets of foreign countries. Then when we consider the fact that it is the intention to force the market above the markets of outside countries, this can be made possible only by the protective tariff, and we will be often compelled to sell below our home market, as less than 50 per cent of the farmers of the United States are surplus grain producers, but are buyers of grain and grain products. We will very soon hear from them.

Sec. 5. *Service department furnishing information to crop and markets.*—This, to be of any consequence, will require a large force of specially fitted persons and require a large amount of money. And I therefore believe it would be best handled by our Government through their several agencies in foreign countries and National and State agricultural departments. An abbreviation of words would be adopted to be used in telegraphing this information, as this would be of benefit to the business interests and the public in general. The expense would be paid by the Government. Our State and National organizations are advocating this and we expect to see this brought before Congress in the near future.

Sec. 6. *The partial working capital.*—I have practically covered this by section 3. Will add by saying that unless the committee has found some way by which they can market our products at a smaller handling charge than it costs the shippers now, the whole problem will fall of itself. I have given this matter a careful study for years. Have attended meetings and hearings, both State and National, where those

problems were discussed, but so far no one has been able to devise a less expensive system.

A few years ago, I personally took this matter up with Mr. John Kennedy of the Grain Growers' Corporation of Winnipeg, Canada, the largest cooperative grain-growers corporation in the world. Although they now control and handle the entire line of cooperative elevators in their section with terminals at all principal points, he said it could not be handled for less than it was handled in our principal markets. This being the case, I can see no advantage for the producer but can see an additional risk.

Sec. 7. There are to be two contracts, one from elevators to sales agency and one from grain producer to local elevator. As the sales agency has no recognized capital, it would not be as responsible organization and as no consideration or penalty for the fulfillment of contract is provided for it would be only untrustworthy and not enforceable. We only too often experience this with patrons now even in some cases when we have made partial payment. Past experience says not reliable.

Sec. 8. *Contracts from elevator to sales agency.*—Will meet with similar cases as noted in section 7.

Sec. 9. *Contract for use of local facilities.*—Meets with no objection.

Sec. 10. State laws of different States govern changing over to cooperative associations. Minnesota laws, as I understand them, do not permit cooperative associations buying in or loaning or advancing funds for other organizations.

Sec. 11. A contract between grower and local farmers' cooperative elevator company, providing for the exclusive sale of his products through the sales facilities of the national sales agency, would in my opinion not be binding for reasons in cases given in previous sections.

Summing up the question as a whole, am sorry to have to say that to undertake this at the present time would meet with disaster and be one of the hardest blows ever given the cooperative movement. Having carefully studied these questions with an outlook for a better marketing system and kept in close touch with cooperative marketing for a great many years, I am unable to recommend any system that will bring to grower more real money for his crops and be safe and practically no risk upon his part than the markets we now have, and believe it unsafe to venture into any theoretical or experimental marketing problems to any extent. We hear much about the successful marketing system now in practice by the fruit growers. Upon careful investigation so far I do not find it as rosy as pictured. It is true that they are receiving a higher price for fruit sold, but it is also true that when entire crop is taken into consideration they are getting less, as only a small part of it is really marketed. The balance of the crop is allowed to rot on the ground and trees, overproduction and high freight rates to consuming centers making shipment of all but best grades prohibitive. I know of growers that as soon as they can dispose of their holding will close and go into other business, as there is no holding over of surplus crops. It is easier for them to more successfully fix prices. Their only way of doing this is to cut down production which I find they are doing by many of them neglecting their orchards and letting crops go to waste, as their products will not stand up for shipping very largely from foreign countries. They will need no tariff protection. All they need, the same as the grain producer, are better shipping facilities and lower freight rates. This would cure many of our present ills, and other cures proposed would be soon forgotten.

Hoping I have made myself clear and answered these questions,
THE FARMERS' GRAIN DEALERS' ASSOCIATION OF MINNESOTA,
CHAS. KENNING, President.

EXHIBIT B.

[From June Issue of the Cooperative Manager and Farmer, Minneapolis, Minn.]

CHARLES KENNING, PRESIDENT OF THE FARMER GRAIN DEALERS ASSOCIATION OF MINNESOTA SENDS LETTER TO OFFICERS AND MEMBERS CALLING THEIR ATTENTION TO WHAT HE CONSIDERS VERY SERIOUS OBJECTIONS TO THE PLAN OF THE UNITED STATES GRAIN GROWERS, (INC.).

BIRD ISLAND, MINN., May 12, 1921.—Fellow members: You all undoubtedly have heard of the United States Grain Growers (Inc.), and have read some of their plans and by-laws and therefore formed some opinion on this plan.

In talking with many different persons upon this subject I find but very few that have given the matter any real attention, but have mostly depended upon some one to explain the working of the plan. As I consider this one of the most serious problems undertaken in the farmer cooperative movement, I feel it my duty as president of the Farmers Grain Dealers' Association of Minnesota to call your attention to what

I consider very serious objections to this plan and believe dangerous to the present cooperative organizations, I want you to go over the plan carefully with me before forming your opinion. As many of you know this plan was referred to me and others some time ago for an honest opinion, for some reason it seems I was the only one who has given an opinion in detail, pointing out the dangers and unworkable points in the plan, although I have been criticized by many for giving my honest opinion, no one so far has been willing to contradict or discuss this matter with me.

But I find that those interested have attempted to overcome some of the objections by legislative acts, amending our present cooperative laws, making them accessible to the wishes of the promoters that are and have been feeding upon their dear friends, the downtrodden farmer, how far they will succeed along these lines will depend entirely upon whether we farmers are going to do some of our own thinking and investigation, or are we going to do as many of us have done in the past, let the other fellow do the planning and we foot the bill.

To go over the whole plan at this time would require too much space, I shall therefore only call your attention to some of the most important points of the by-laws and contract and hope it will induce you to more carefully read them and give them real thought. I herewith give you article 1, membership:

"Section 1. *Qualifications*.—All persons who shall be producers of grain, who shall execute producers' agreements as specified in Article X hereof, and who agree to conform to and abide by the by-laws and regulations of this association, shall be eligible for membership in this association.

"Sec. 2. *Fees*.—Each applicant for membership shall, until otherwise provided, pay to the association an initiation fee of \$10 for the creation of and ownership of securities in subsidiary and affiliated companies and other agencies, for the acquisition of terminal warehouse facilities, for the securing of membership for any other purpose authorized and deemed necessary by the board of directors of the association for the immediate handling and marketing of grain, and for organization and other expenses incidental to the completion of the organization of the association.

"Each applicant for membership, as a consideration of the enjoyment of the privileges of membership and as a term and condition thereof, admits and agrees that his initiative fee shall become and remain the exclusive property of the association free of any claim or demand upon his part, and constitute merely evidence of good standing. The right to enjoy the privileges of membership in this association is personal and not a property right. Membership shall not be subject to execution, is not transferable, and is not liable for the debts of a deceased member.

"Enjoyment of the privileges of membership shall continue during good standing and behavior only."

As you will note, although the grower furnishes the working capital for the entire organization, he has no financial interest or property right and can be expelled or kicked out at any time if he displeases one of the directors. It is he good or you go out.

Next I will refer you to Article X, section 3, working capital:

"Sec. 3. *Working capital*.—The initial working capital of the association with which to provide for the creation of and ownership of securities in, subsidiary and affiliated companies and other agencies, for the acquisition of terminal warehouse facilities, for any other purpose authorized and deemed necessary by the board of directors within the lawful power of the association for the immediate handling and marketing of grain, for organization and other expenses incidental to the completion of the organization of the association, and for such other purposes as are authorized by the board of directors, within the lawful power of the association, will be secured through the membership fee of the growers as provided in Article 1, section 2, of these by-laws. Subsequent funds will be secured by deduction of certain amount or percentages of the receipts from grain sold by or through the association, as provided in the standard contract between the elevator company and the association."

Here again we find that the grower furnishes all the money for all the different enterprises, by letting them take out such amounts as they see fit to build up the different enterprises, costing millions, but he is given no interest or property rights whatever in them and can be cut off from all benefits at any time it may suit the board of directors. Herewith find clipping out of the Grain Growers' Guide of May 4, 1921:

"The preferred stock, which may run into the millions, will be retired by funds built up by deductions made each year from each farmer's returns. By a provision in the contract each farmer agrees that 1 per cent of his gross returns may be retained by the association each year. The moneys thus deducted will be utilized in providing working capital and in acquiring the ownership of assets through the subsidiaries. If the plan succeeds on a large scale this will mean that probably \$10,000,000 a year will be put together for the acquisition of handling facilities and other purposes of the association. Credits during periods of heavy crop movements will have to be arranged, the security offered being the assets of the subsidiaries, the contracts with

the farmers, and the actual grain held in store by the association. A unique feature in connection with the deductions is that in return for them the farmers will receive no personal claim on the assets of the association or its subsidiaries. The idea is to build up a big system that will be free from interest charges. That system will, therefore, be a farmer-owned institution, built up with subscriptions accumulated over a period of years, which will be at the service of the farming community in marketing its grain crops, and all with no burden of interest on capital to carry. The articles of incorporation require that provision shall be made for the disposition of assets in case of a wind-up of the association's affairs, and it is provided that in such case the disposition will be to the then existing contract holders.

"There may be differences of opinion as to the wisdom of making deductions for acquiring assets without giving the farmers a personal claim on the association to the amount of the deductions. However, that is the association's policy. One of the arguments used in its favor is that the existing facilities, though owned by the interests, were in reality built up from the farmers' returns. Another is the moral effect such a policy will have in impressing the public with the fact that the farmers mean business. The chief argument is, of course, that the capital acquired will eventually be free from burdensome interest charges."

The grain growers of Canada have built up an organization that is second to none upon a solid stock basis, where every farmer is justly entitled to the earnings of moneys furnished by him, and also has a property right in all its holdings and I am not surprised to find the Guide in doubt whether our farmers will submit to the plan offered us, I am frank to say that I for one will not, but am willing and anxious to take hold of an enterprise built up like the Canadian plan from bottom up on a solid foundation with full rights to the men that furnish the money for its maintenance.

I want you to also note how final distribution will be made should this organization disband. The proceeds will be distributed "to the then existing contract holders," many of whom possibly have never contributed a penny toward it.

I am not calling your attention to these facts for the purpose of holding you from becoming a member, but feel it my duty to inform you of the real dangers in the plan, hoping that the managers may see fit to change and remedy these and other unjust and unworkable paragraphs.

There is now being circulated to the different farm elevators an application for a loan to the United States Grain Growers (Inc.) of from \$1,000 to \$10,000. In Minnesota our State laws do not permit us making such loan from our funds and as the United States Grain Growers (Inc.) is a nonstock company with no backing, I do not believe is permitted to do business in this State. I am only calling your attention to this to prevent trouble in the future. Only too many of our cooperative organizations have gotten into trouble in the past by overlooking some of the fundamental laws of cooperation. We have been very successful in many ways in the past years; let us be very careful of the next step before we get into the quicksand from which it may be hard to get out.

I know I will be condemned by many for the stand I am taking, and will say that I prefer to be condemned for giving you facts at this time that I hope will lead you to give this matter real thought and study before entering into it than to be condemned later for failing to call your attention to these facts as I know them to be.

All I ask is read and think before you sign, not only this, but in all matters, then our courts will have less trouble to settle and we will have a more contented and prosperous community. Hoping I have made myself clear and that this will be taken in the spirit intended, I am as ever,

Yours for best cooperative interests,

CHARLES KENNING.

EXHIBIT C.

TWO MOST INTERESTING LETTERS.

HAYRE, MONT., November 7, 1921.

MR. CHARLES KENNING,
Bird Island, Minn.

DEAR SIR: I am a farmer residing in Hill County, Mont., and a member of the Farm Bureau Community, which has voted to hold a debate at our December meeting on the following question:

Resolved, That the cooperative grain-marketing plan as submitted by the Farm Bureau (this should be as submitted by Committee of Seventeen) will be more beneficial to both producer and consumer than our present system of marketing.

It fell to my lot to be chosen on the negative side of the question and finds me without much doubt on this side of the question. I called on an elevator man, who has charge of a bunch of elevators along the line, and all the dope he had at present was the question book of yours regarding the proposed grain marketing plan of the Committee of Seventeen, as compared with the present system. I have been reading it over, and to be frank with you, Mr. Kenning, I don't believe your argument will hold water and I will have to get more logical dope than that in order to make any showing at all at this debate, and am going to ask you a few questions.

Why is there no probability that the individuals employed by national sales agency will be superior or even equal in ability to those now engaged in the grain trade? Is not the United States association money as good as the commission merchant's, if they pay him the price for his services, or do you think, as I infer from your criticism of the high salaries paid their officers, that they should hire cheap men? In regard to these high salaried officers, which do you think draws the most money, this staff of officers or the almost numberless commission merchants, their employees, etc., and furthermore, these merchants are not in business for their health and must have a profit and does not the grower have to pay for all this?

Why does the producer get better service in the handling of his grain under the present competitive system of marketing? Do not the buyers who buy under this system have to bear in mind that they may not always be able to sell under the competitive system? Foreign trade, for instance, I understand concentrate their buying to one man. If you had a buyer for a cow you had for sale, don't you think you could get a better deal if you were alone with him than if you had a dozen other men around you with cows for sale?

You say if it could be brought about that all grain raised in the country was placed in the hands of one sales agency, it would necessarily result in the creation of one national buying agency, representing the consumers. Why would not this be a good plan, dealing direct with the consumer? Why have all these gamblers and speculators juggle it around in the pooling of grain? Why should the producer of choice grades suffer a loss? Why can not this premium stuff be handled separately as well as other grades, the same as it is now? You strongly criticize the idea of a grower binding himself hand and foot by an ironclad contract, as you put it, to sell his grain to one concern for five years. How would you expect an individual to sell grain to exporters, or others, if they did not have contracts to assure them that they were going to get this wheat? You, being a farmer, are aware that the farmer is a hard man to make stick; therefore, is not this contract a necessity?

In regard to the advantages of shipping to commission merchants and the valuable services they render the farmer, are not most of all these advantages found in the United States Grain Growers? Are they not adequately bonded; do they not advise the farmer as to the best place to ship, etc.?

In regard to the national pool, you say you are going to use your own judgment on speculating with your cash grain, as you put it. That may be all right with you, with lots of experience in marketing, but how about the average farmer who knows nothing about marketing? Do you not think that the national committee, consisting of men who perhaps have devoted their entire life to nothing else but marketing, would have better judgment on the subject than he has?

You say that under the contracts mentioned in the national association can make deductions for the purpose of acquiring elevators and other property used by the association. You might have mentioned that this can only be 1 per cent of the selling price of the grain.

You say farmers should not be rushed off their feet by the aggressive campaign of the solicitors. They do not plan to make this aggressive, but will simply lay the facts before the farmer, and if he wants to come in, he does so voluntarily. It is claimed that 90 per cent of the farmer's wheat is sold by him when prices are on the decline as he gets scared? Do you not think it would be better for him if his wheat was in the national pool where the more experienced committee would use better judgment? Why can not money be borrowed with county and terminal warehouse receipts as security? Is not the wheat they represent a good security, especially since the elevator company agrees that all persons responsible for the custody of grain covered by contract, or handling money derived therefrom shall be adequately bonded?

I have been putting my ideas in regard to this matter rather frankly, but that is about the way they will be put to use, and if you can give me any information showing where they are wrong, I would be pleased to get it.

Very truly yours,

N. S. GREGOIRE.
Havre, Mont.

BIRD ISLAND, MINN., November 21, 1921.

Mr. N. S. GREGOIRE, Havre, Mont.

DEAR SIR: Yours of November 7 received and contents carefully noted. I want to thank you for your frankness in this matter and will try to be the same with you. As farmers, our interests are mutual and we owe it to one another to be frank and sincere in matters of this kind.

You are probably not aware that I was brought into this controversy by request of a representative of the Committee of Seventeen who sent a copy of the proposed plan of the Committee of Seventeen to each officer of the different State cooperative grain dealers associations, asking them to give their honest opinion of this plan. Up to this time I am the only one that has done so. After studying every part thereof, I gave my opinion in detail and gave my reasons for it, believing it unworkable and dangerous. In doing this, I believed I was doing my duty and at the same time rendering a service to my fellow farmers and also to the Committee of Seventeen. Had all done as I did we now would have a plan that we could safely subscribe to, but they lacked the moral courage to do so. I was well aware at the time that I would be criticized by many and, therefore, gave it my most careful thought and am pleased to know at this time that over 75 per cent of my predictions up to this time have proved true and feel safe in the other 25 per cent. I have been accused of every crime, but up to date none have dared to meet me openly.

I have been besieged with letters for more information. I have tried to do so, and will try and answer your questions truthfully and honestly as far as I can. I have repeatedly asked the United States Grain Growers to send out their contracts and by-laws to at least the farmers' elevators, in order that they may have an opportunity to carefully study them, but up to date it has not been done. I am constantly asked for copies, but have none to send. I would advise you to send to Mr. Frank M. Myers, 59 East Madison Street, Chicago, for grain marketing plan of the Committee of Seventeen. Compare this with my booklet and be the judge. I will, however, try to answer your questions as fully as time and space will permit.

Why is there no probability that individuals employed by the national sales agency will not be superior or equal to those engaged in the grain trade? Past experience tells us that men that have only a salary interest in a business do not take as deep an interest in the business as individuals that are dependent upon the success of the business. A very good illustration is the Government management of railroads. Although they more than doubled their crews and clerks, less service was rendered and of a poorer quality.

As to the money of the United States Grain Growers being as good as the commission merchant. As I understand it, the United States Grain Growers is asking the farmer to furnish the money or turn over his products to them, so they can mortgage and borrow money upon it and give the farmer as much as they deem safe or good for the farmer. I have never heard of a commission man asking this privilege, but find them always ready to advance money to their customers. As to my criticism of salaries, will say a man is entitled to what his services are worth to the party that employs him. When an individual employs a man for a special position, he first looks up his record of efficiency along that line and fixes his salary with the understanding that if he proves himself to be worth more he will get a raise. Not so in the associations of this kind. It is influential, political or otherwise, that gets them the job. As I am more or less acquainted with the officers of the United States Grain Growers, I can safely say that their past record in the grain business would not entitle them to much of a salary. You say, compare this with the numberless staff of employees of the commission firms. You probably do not realize that the commission men hold their staff of employees down to a minimum, and the United States Grain Growers at this time has probably as large a number employed at double the salary, with but little business doing.

As to the commission men not working for their health, that is true; but many in the past years did not even get that much out of it.

You say, Does not the producer pay for all this? All the producer pays is one commission and freight as fixed by law when he ships to a reliable firm, and has the opportunity to change at any time when not satisfied with the service.

Why does the producer get better service when his grain is handled under the present competitive system of marketing? Because good service and good returns to the shipper is the commission man's only stock in trade. When he fails in this, he loses his customer, as he is not tied to him by an ironclad contract and can choose another without notice.

Do not the buyers who buy under this system have to bear in mind that they may not always be able to sell under the competitive system? The buyer buys either for consumption to fill sale already made, export, or speculation. If you had a buyer for

a cow you had for sale, don't you think you could get a better deal if you were alone with him? No, as he would know that there were others and would look them up and probably not return, but if he had them all before him, he would compare and choose the one that suited his needs and pay accordingly. That reminds me of a little experience I had when there were only the stock yards at Midway, no packing plants and only the butchers to buy. I and five others were there with stock from Monday to Saturday. No buyers came near us. Finally, I coaxed a man to take mine at 14 cents per pound. This happened at different times, until the competitive yards and packing houses were established. Since then, we always find buyers paying the day's market prices.

This would also be the case if all grain would be in the hands of one concern and there would be but one buying agency. The buyer would know how much grain there was tributary to the association. He would also know that there were about 14 other countries he could buy from and would thus be able to dictate prices to the seller by holding him back. We only too often forget we are not the only producers of grain and our tendency to force and control prices has been the cause of these other countries being developed along these lines, and unless we carefully make use of our opportunities, we will probably be out of the export trade. There is still a vast and very productive area in those foreign countries that can and are being developed to enter into competition with us.

As to my objection to what I term an ironclad contract, will say: If this United States association is composed and managed by efficient and experienced men and do business upon business principles, nothing else but marketing would there is no need of such a contract to hold their customers. If not, they should not be permitted to do business, as it would only prove disastrous to the cooperative movement that has been well established by many years of patience and hard work.

How would you expect a buying agency to export? Grain has been sold to export ever since we had it to sell, and never has there been a call for such a contract, but, contrary to this, when an exporter has made a sale it has invariably raised the price upon that product and given the producer the benefit.

You say it is hard to make the farmer stick. I want to say it has been my privilege to do business with the farmer, business man, and laborer for the past 40 years in Minnesota, and I find if you give him a square deal he is just as reliable as any of them. But being preyed upon by promoters and surrounded by agitators and sharks of all kinds, as he has been, he may have lost sight of principle and honor in some cases.

In regard to the advantages of shipping to commission merchants and the valuable service they render the farmer, are not most all of these found in the United States association? To this I must say "No," as set forth in their plan. The shipper is in personal touch with the commission merchants and the commission men with the shipper, and therefore knows at all times whether he is getting efficient service or whether it is safe to do business with him, and the shipper thus has the opportunity to make his shipments to the one that gives him satisfactory service; but with the United States association he must stick and stand the loss, if any.

Right here, let me say, if the farmers had wanted to work into the market by organizing commission marketing firms of their own at the several terminal markets, they would have had an opportunity to work themselves into the system safely and eventually do some good. I happened to meet one of the Committee of Seventeen last week, who said that was his suggestion and was yet. This has also been my idea.

In regard to the national pool, will say I have always been against storing grain, as experience tells me it is practically upon the market the same as though sold. Then, again, experience and close observation has told me that the farmer who sells his grain in the fall and from time to time, as he generally does, plays even in a run of years. I herewith give you the observation of the Federal reserve bank of the ninth district, which takes in the entire Northwest, which fully agrees with my observation in previous years:

NO PROFITS IN HOLDING WHEAT ON THE FARM.

The wheat producer who holds the wheat instead of selling it directly from the threshing machine loses two out of three times, according to the experience of the 10 years preceding the war, a special report of the Minneapolis Federal Reserve Bank states. The report is based on a compilation of cash prices paid at the Minneapolis Chamber of Commerce on every day between 1903 and 1913 for No. 1 and No. 2 dark northern and No. 1 northern.

In 69 of the 120 months covered the average cash price paid was lower than the average price of the Septembers in those years, the report said.

"In other words," the report said, "if the producer held his wheat to speculate on the price, he could win in but 41 months out of 110, or a chance to win of slightly more than one in three times."

"The losses to a bushel incurred on the average by holding from September in each year until any one of the different months were as follows: October 1, 1 cent; November, 3.8 cents; December, 3.9; January, 2.5; February, 3; March, 4.9; April, 5.8; May, 1.8; June, 3.1; August, 6.4; or, in other words, the farmer would have gained on the average by selling in every year without holding."

"The foregoing indicates the history of 10 normal years without disturbing influence of war conditions. Whether or not the same results will be found in the succeeding 10 years containing the war disturbances remain to be seen."

The report said in addition that a computation for the last eight years has shown similar and even more marked effect. In this the October loss was 7 cents; November, 4; December, 4.2; January, 9; February, 4; March, 4; April, 1; May, a gain of 6.2 cents; June, loss 8; July, loss 5; and August, loss 3.3 cents.

"In conclusion, it should be stated emphatically that the Federal reserve bank makes no prediction whatsoever as to the course of prices of wheat in this year, or in any subsequent year," the report said.

At this time the report is particularly important, bankers and grainmen said. Do you not think that the national committee, consisting of, perhaps, men who have devoted their entire life to have better judgment upon the subject?

You have no such individuals in this committee and are not liable to have, as their lives have mostly been spent in agitation and promoting imaginary projects. A man that has really spent his time in close marketing, has no time to spare in promoting untried schemes.

You say that under the contract only 1 per cent can be deducted from the proceeds of grain sold. I find the solicitors put great deal of weight upon this, and lead the farmer to believe it. For your information, I herewith quote you section 12 of the revised contract. You will notice it says, first: "Provided, however, the grain is sold upon a grain exchange and no other service is rendered, the charge shall not exceed one per cent, unless the standard charge shall be more than 1 per cent, then such charge shall be more." Second: "The maximum capital, expenditures, interest charges, etc. (aside from ordinary operating, including overhead expense) shall in no case exceed 1 per cent." I also refer you to sections 1 and 3 of by-laws:

"SECTION 1. Qualifications.—All persons who shall be producers of grain, who shall execute producers' agreements as specified in Article X hereof, and who agree to conform to and abide by the by-laws and regulations of this association, shall be eligible for membership in this association.

"Sec. 2. Fees.—Each applicant for membership shall, until otherwise provided, pay to the association an initiation fee of \$10 for the creation of and ownership of securities in, subsidiary and affiliated companies and other agencies, for the acquisition of terminal warehouse facilities, for the securing of membership for any other purpose authorized and deemed necessary by the board of directors of the association for the immediate handling and marketing of grain, and for organization and other expense incidental to the completion of the organization of the association.

"Each applicant for membership, as a consideration of the enjoyment of the privileges of membership and as a term and condition thereof, admits and agrees that his initiative fee shall become and remain the exclusive property of the association free of any claim or demand upon his part and constitute merely evidence of good standing. The right to enjoy the privileges of membership in this association is personal and not a property right. Membership shall not be subject to execution, is not transferable, and is not liable for the debts of a deceased member.

"Enjoyment of the privileges of membership shall continue during good standing and behavior only."

As you will note, although the grower furnishes the working capital for the entire organization, he has no financial interest or property right and can be expelled or kicked out at any time he displeases one of the directors, it is: Be good or you go out.

Next I will refer you to article X, section 3, working capital:

"Sec. 3. Working capital.—The initial working capital of the association with which to provide for the creation of and ownership of securities in subsidiary and affiliated companies and other agencies, for the acquisition of terminal warehouse facilities, for any other purpose authorized and deemed necessary by the board of directors within the lawful power of the association, for the immediate handling and marketing of grain, for organization and other expenses incidental to the completion of the organization of the association, and for such other purposes as are authorized by the board of directors within the lawful power of the association, will be secured

through the membership fee of the growers as provided in article 1, section 2, of these by-laws. Subsequent funds will be secured by deduction of certain amounts or percentages of the receipts from grain sold by or through the association, as provided in the standard contract between the elevator company and the association.

"COST OF HANDLING.

"Sec. 12. *Deductions for the cost of handling.*—The proceeds from all sales of grain made by the United States association shall be paid by the purchasers thereof to the said United States association, which proceeds shall be blended into one general fund; and the United States association shall deduct from said proceeds such uniform amounts or percentages as shall be deemed necessary from time to time by the duly constituted officers or representatives of the United States association, in order to meet all expenses properly chargeable to the handling of such grain; and also certain other deductions shall be made in order to provide special funds for carrying out the purposes of the United States association. The deductions stated in the preceding sentence shall be described in this and all related contracts as deductions for the cost of handling. The net proceeds from said sales above advances which have been made by a properly constituted authority shall be paid to those entitled to the same, in accordance with the usual customs of the trade in handling such transactions.

"The special funds mentioned in the preceding paragraph shall include those deemed necessary by the board of directors of the United States association for the acquisition by purchase, lease, or otherwise, of the control of property to be used by the said association or affiliated organizations, for the retirement of obligations incurred in the purchase of such property or in the operation of the business of the said association; for any debt due and unpaid from the grower to the United States association, and whenever otherwise specifically authorized in writing by the grower; for the creation of reserves for such retirements for renewals; and for any other expenditures which the said United States association, its officers, or agents, are authorized to incur.

"So far as practicable, all capital expenditures and interest charges on investments in marketing facilities shall be incurred by self-sustaining subsidiary or affiliated organizations, and appropriate charges shall be levied against the grain using the facilities furnished by such organizations. All operating and capital expenditures, which are lawfully incurred in accordance with the powers and duties of the United States association, shall be prorated fairly and justly in accordance with the judgment of the officers of the United States association against the grain necessitating such expenditures, provided, however, that if the grain is sold on a grain exchange, and no other service of a substantial character is rendered by the United States association, the total expenditures which shall be considered chargeable against said grain shall in no case exceed 1 per cent of its value, unless the standard charge for similar service shall be more than 1 per cent, in which case said total charges by the United States association shall not exceed such standard charge. On other grain where facilities requiring capital investment are used, the maximum deductions for any one year from the proceeds of all sales of grain to be made for capital expenditures, interest charges, etc. (aside from ordinary operating, including overhead expenses), in order to acquire the ownership or control over marketing facilities, shall in no case exceed 1 per cent of the value of the grain so handled by the United States association. The distinction in accounting between capital and operating income and expenditures shall be in accordance, so far as practicable, with the rules adopted for common carriers by the Interstate Commerce Commission.

"The amount of deductions for the cost of handling, as above specified, shall be estimated by the board of directors of the United States association and shall be so established as to yield as nearly as may be a sum of money equivalent to the operating and capital expenditures and reserves and such other expenses as may be reasonably estimated as essential to be incurred by the United States association and its subsidiary organizations for the ensuing year. In case a sum in excess of such requirement shall be collected during any fiscal year, it shall be set aside or invested to meet the obligations or needs of the future for the use and benefit of the growers, unless the same shall be relatively large and substantial, in which case the United States association may distribute all or a part of the same to its members in proportion to the grain sold through the United States association, at such time as it shall determine. And the elevator company, for valuable consideration, receipt of which is hereby acknowledged, waives all right, title, and interest in and to any portion of such funds.

You say, are not the officers adequately bonded? Past experience tells me very seldom, and in an organization of this kind and size invariably not. We have this proof nearly every day.

I want to refer you to section 10: "The United States association is exempt from liability for losses incurred in marketing and selling grain covered by this contract that are not due to its own negligence." This is surely pleasing to the producer. He has no say in the selling or handling, but must bear the loss and gives a good opportunity for fraud. The party acting as seller may sell to an irresponsible party who can sell the product and divide the proceeds with the seller and the producer may not even dare to accuse him, as that might be construed as not good behavior, and be expelled. The officials are certainly well protected against liability; but only pure angels will be chosen to fill those positions; no other need apply.

You are also told that you will select these officers yourself, but how is not very clear to me. You select a delegate to represent you at the congressional district. You probably know the fellow. He selects a delegate to represent your district at the national that you may not know, and he in turn elects an officer that you have never heard of. That is the fellow your business is entrusted to; this is what they term self-government and must meet your approval when you sign up. When men brand everyone but themselves as thieves and crooks, it has been my custom to steer clear of them, and I have never been mistaken, but find it a safe rule.

The peculiar part of this is that you farmers have been clamoring for years to elect national and State officers by direct vote of the people, but in your own personal affairs you are willing to go back to the most indirect methods to elect officers.

In conclusion let me say, read every contract carefully, then think it over and read again before you sign.

C. KENNING.

EXHIBIT X.

Farmers Union State Exchange, Eleventh and Jones Streets, Omaha, Nebr.

John Havckest, president, Hooper, Nebr.

Con McCarthy, vice president and manager, York, Nebr.

E. M. Pollard, secretary, Nehawaka, Nebr.

Frank Myers, treasurer, Omaha, Nebr.

Directors: Same, and L. Lauritsen, West Point, Nebr.; T. Henry Freese, Elgin,

Nebr.; J. C. Martin, St. Edwards, Nebr.; and F. C. Shultz, Rockford, Nebr.

Branch stores: Hastings, Nebr.; Davey, Nebr.; Morse Bluffs, Nebr.; Prague, Nebr.;

Tekamah, Nebr.; Wilber, Nebr.

Financial condition.—January 31, 1922, we received the following statement by mail, same showing financial condition December 31, 1921.

| ASSETS. | |
|--|-------------|
| Current assets: | |
| Cash on hand | \$460.00 |
| Cash in banks | 4,898.37 |
| Accounts receivable: | |
| Wholesale | \$46,521.21 |
| Retail | 12,024.01 |
| Consigned | 2,707.30 |
| In suspense | 4,183.27 |
| Retail, at branches | 112.07 |
| Notes receivable | 65,547.86 |
| Cash in banks | 34,804.14 |
| Trade acceptances receivable | 2,982.87 |
| Merchandise inventory: | |
| Omaha | 460,231.12 |
| Branches | 63,955.22 |
| | 523,186.34 |
| Total current assets | 631,879.68 |
| Fixed assets: | |
| Real estate and buildings | 22,058.36 |
| Furniture and fixtures— | |
| Omaha | \$9,515.51 |
| Branches | 15,742.08 |
| | 25,257.59 |
| Auto and trucks | 2,766.26 |
| | 50,082.21 |

| | |
|---------------------------------------|--------------------|
| Deferred assets: | |
| Deferred taxes, branch houses..... | \$1,135.06 |
| Unexpired insurance..... | 2,746.32 |
| Accrued interest..... | 910.35 |
| Prepaid interest..... | 170.00 |
| Prepaid rent..... | 80.00 |
| Postage inventory..... | 14.20 |
| Promotion expense..... | 52,890.95 |
| | <u>\$57,947.79</u> |
| Total assets..... | 739,909.58 |
| LIABILITIES. | |
| Current liabilities: | |
| Notes payable..... | 215,923.22 |
| Accounts payable..... | 52,914.72 |
| Merchandise..... | \$58,982.99 |
| Less trade balance..... | 6,068.27 |
| Consigned..... | 12,096.82 |
| Cash received on unfilled orders..... | 9,280.91 |
| Taxes payable..... | 6,125.19 |
| Accrued interest..... | 2,972.47 |
| Sundry..... | 422.57 |
| Total current liabilities..... | 299,735.90 |
| Capital stock paid in..... | 715,975.00 |
| Deficit Dec. 31, 1920, Omaha..... | 1,926.87 |
| Loss at branches, 1920..... | 1,822.06 |
| Loss, Omaha, 1921..... | \$79,917.96 |
| Loss, branches, 1921..... | 22,304.43 |
| Total operating loss, 1921..... | 102,222.39 |
| Price decline Omaha, 1921..... | 78,633.90 |
| Surplus reductions, 1921..... | 1,196.10 |
| Loss for year 1921..... | 182,052.39 |
| Total deficit..... | 275,801.32 |
| | <u>440,173.58</u> |
| Total liabilities..... | 739,909.58 |

It will be noted that the company show a loss for 1921 of \$182,052.39 and that they list a total deficit of \$275,801.32. The company's statement submitted under date of December 31, 1920, showed total assets of \$907,613.79, and liabilities of \$284,165.57. A comparison of these statements shows decrease in total assets of approximately \$168,000, which direct liabilities show an increase of approximately \$15,000. The company appears to be doing a fair volume of business and authorities consulted concede a net worth of \$390,000 as a basis for credit.

Trade opinions: (1) Highest credit \$4,000, regular terms, payments made every 15 days; (2) highest credit \$200, payments made when due; (3) sell for requirements, payments always made promptly.

Antecedents: They were incorporated under the Nebraska State laws March 4, 1917. The concern is really a subsidiary of the Farmers Educational and Cooperative State Union of Nebraska, and is reported under the direct control of that organization. The officers of this institution hold similar offices in both corporations. The Farmers Educational and Cooperative State Union of Nebraska, of which this concern is a subsidiary, was incorporated under the Nebraska laws July 13, 1915, and the object was to assist farmers in buying and selling. The Farmers Union State Exchange buy and sell through the farmers unions throughout the State. This also is understood to include farmers stores, elevators, creameries, and similar organized commercial institutions. Their organization consists of a membership of many thousands. A membership fee is charged to each member of \$1 and the Union State Exchange receives from each one of the local unions in the different communities the full amount of membership fee from the first 15 members and one-half of the fees from each additional member.

Fire record: No fire loss reported.

General remarks: All parties interested in the above concern are well regarded personally. The officers of the company are all farmers except the treasurer and manager. The exchange assists farmers in every way possible in buying and selling their supplies and assists them in selling their products.

EXHIBIT Y.

FARMERS GRAIN & LIVE STOCK CO., HARDVILLE, NEBR.

| | |
|----------------------------|---------------------------------|
| Capitalized, \$25,000. | Notes payable, none. |
| Capital paid in, \$19,500. | Accounts payable, none. |
| Surplus, \$4,100. | Accounts receivable, \$3,900. |
| Profit for year, \$9,000. | Book value buildings, \$15,000. |

FARMERS UNION ELEVATOR CO., MEAD, NEBR.

| | |
|--|-------------------------------|
| Capitalized \$50,000. | Profit for year, \$466. |
| Capital paid in, \$18,000. | Par value of stock, \$100. |
| Surplus, none. | Present value of stock, \$96. |
| Assessed \$27 per share last year; company attempting to increase value of shares to \$196 per share; each shareholder to sign notes equal to the amount of shares held. | |

FARMERS COOPERATIVE GRAIN CO., DAVID CITY, NEBR.

| | |
|----------------------------|--------------------------------|
| Capitalized, \$50,000. | Notes payable, none. |
| Capital paid in, \$14,000. | Accounts payable, none. |
| Surplus, \$2,200. | Book value buildings, \$8,500. |
| Profit for year, \$440. | |

FARMERS COOPERATIVE GRAIN CO., OSCEOLA, NEBR.

| | |
|------------------------------|--|
| Capitalized, \$100,000. | Accounts payable, \$2,753.04. |
| Capital paid in, \$21,175. | Book value buildings, \$16,698.29. |
| Surplus, \$3,093. | Accounts receivable, \$1,467.41. |
| Profit for year, \$3,038.07. | Recapitalized May 1, 1921, from \$25,000 to \$100,000. |
| Notes payable, \$13,250. | |

FARMERS GRAIN & LIVE STOCK CO., WESTON, NEBR.

| | |
|----------------------------|---------------------------------|
| Capitalized, \$50,000. | Notes payable, \$9,000. |
| Capital paid in, \$36,000. | Accounts payable, none. |
| Surplus, none. | Book value buildings, \$15,000. |
| Loss for year, \$8,000. | Accounts receivable, \$3,200. |

FARMERS ELEVATOR CO., BRAINARD, NEBR.

| | |
|----------------------------|---------------------------------|
| Capitalized, \$75,000. | Notes payable, \$6,000. |
| Capital paid in, \$32,000. | Accounts payable, \$564. |
| Surplus, none. | Accounts receivable, \$2,650. |
| Loss for year, \$1,600. | Book value buildings, \$25,000. |

EXHIBIT Z.

FARMERS' UNION COOPERATIVE ASSOCIATION, YUTAX, NEBR.

| | |
|--------------------------|------------------|
| Assets: | |
| Cash in bank..... | \$72.31 |
| Cash on hand..... | 83.97 |
| Liberty bonds..... | 600.00 |
| Accounts receivable..... | 1,324.44 |
| Notes receivable..... | 1,688.40 |
| Inventories..... | 11,839.54 |
| Elevator..... | 4,230.00 |
| Fixtures..... | 385.00 |
| Total..... | <u>20,223.66</u> |

Liabilities:

| | |
|-----------------------|-------------|
| Notes payable..... | \$12,250.16 |
| Accounts payable..... | 663.96 |
| Capital stock..... | 100,100.00 |
| | 23,014.12 |
| Deficit..... | \$2,594.01 |
| Loss..... | 196.45 |
| | 2,790.46 |
| Total..... | 20,223.66 |

FARMERS GRAIN CO., SCHUYLER, NEBR.

| | |
|----------------------------|----------------------------|
| Capitalized, \$50,000. | Loss for year, \$9,810.47. |
| Capital paid in, \$24,000. | Deficit, \$4,176.15. |

FARMERS GRAIN & STOCK ASSOCIATION, CRESTON, NEBR.

| | |
|----------------------------|-----------------------------|
| Capitalized, \$50,000. | Loss for year, \$10,665.07. |
| Capital paid in, \$45,000. | Deficit, \$10,500. |

FARMERS UNION COOPERATIVE ASSOCIATION, HOLBROOK, NEBR.

| | |
|----------------------------|-------------------------|
| Capitalized, \$25,000. | Loss for year, \$1,300. |
| Capital paid in, \$16,050. | Surplus, \$1,600. |

FARMERS UNION COOPERATIVE ASSOCIATION, COOK, NEBR.

| | |
|----------------------------|-------------------------|
| Capitalized, \$25,000. | Loss for year, \$6,600. |
| Capital paid in, \$19,000. | Deficit, \$7,000. |

SPAULDING ELEVATOR CO., SPAULDING, NEBR.

| | |
|----------------------------|-------------------------|
| Capitalized, \$25,000. | Loss for year, \$3,600. |
| Capital paid in, \$19,300. | Surplus, \$1,800. |

EXHIBIT D.

[In the district court of Dodge County, Neb., Farmers Cooperative Mercantile Co. of Scribner, plaintiff, v. Arthur H. Shultz, Mary A. Shultz, Anna Mohr, Herman Witthinrich, defendants. Second amended petition in equity.]

Comes now the plaintiff and for causes of action herein states:

1. The plaintiff is a corporation organized and doing business under the laws of Nebraska, with its headquarters at Scribner, in Dodge County, Neb., and, as shown by its articles of incorporation, its organization was effected in June, 1913, to continue for the period of 50 years thereafter, and has a paid-up capital stock of more than \$100,000. Plaintiff's stock has a par value of \$5 per share.

2. The defendant Mary A. Shultz is the wife of the defendant Arthur H. Shultz. The defendant Anna Mohr is the mother-in-law of the defendant Arthur H. Shultz. The defendant Herman Witthinrich is a particular friend of the defendant Arthur H. Shultz.

3. The articles of incorporation of the plaintiff do not provide for the purchase by plaintiff or the retirement of any of plaintiff's capital stock, and there has been and is no authority for plaintiff to retire or to purchase any of its outstanding capital stock.

4. The defendant Arthur H. Shultz, from the organization of plaintiff until approximately the 1st of March, 1921, has been a member of the board of directors, the president and manager of the plaintiff, and in active charge of the details of the management of plaintiff's business. As such manager, the defendant Shultz has had exclusive knowledge of all of the matters and things hereinafter set forth. All of said transactions and things hereinafter mentioned were done by the said defendant Arthur H. Shultz without the knowledge or the consent of the plaintiff, and the plaintiff did not know of the same and did not have any means of knowledge until the year 1921. Until various times in said year 1921 the defendant Arthur H. Shultz

kept all of said matters secreted from the knowledge of the plaintiff and its officers and directors. The plaintiff has no adequate remedy at law.

5. Prior to February 5, 1921, the defendant Arthur H. Shultz had purchased from various parties, the names of which are unknown to the plaintiff, an aggregate of 344 shares of stock of the plaintiff of the par value of \$1,720, but said shares of stock while being delivered to the defendant Shultz were not formally transferred to him upon the corporate books of the plaintiff. On February 5, 1921, the defendant Shultz, contrary to his duties and obligations as president and manager of the plaintiff, pretended to retire said \$1,720 of plaintiff's capital stock and took and received therefor and thereby converted to his own use bills receivable and money or other property of the plaintiff of the value of \$1,720. Which particular notes of the plaintiff were taken out the plaintiff is unable to state. So far as plaintiff knows, said 344 shares of stock were not taken up and are still outstanding.

6. If said certificates for said 344 shares of stock were returned or canceled to plaintiff, it was without authority, and plaintiff hereby offers to reinstate said stock upon a showing and knowledge of which particular stock was so surrendered if it was surrendered.

7. No part of said sum of \$1,720 has been repaid, and there is now due and owing thereon from the defendant Arthur H. Shultz to the plaintiff \$1,720, with interest at 7 per cent from February 5, 1921.

Wherefore plaintiff prays judgment against the defendant Arthur H. Shultz for the sum of \$1,720, with interest thereon at 7 per cent per annum from February 5, 1921.

THE SECOND CAUSE OF ACTION.

8. Without rewriting, the plaintiff adopts and makes a part of this, its second cause of action, paragraphs 1, 2, 3, and 4 herof.

9. Hereofore, in the ordinary course of business, there was subscribed by the defendants and issued by the plaintiff shares of plaintiff's stock to the defendants as follows:

| Certificate No. | Date. | Issued to— | Number of shares. |
|-----------------|---------------|-------------------------|-------------------|
| 150 | Mar. 1, 1915 | Anna Mohr..... | 440 |
| 202 | Aug. 1, 1917 | Herman Witthinrich..... | 66 |
| 203 | Mar. 1, 1915 | Arthur H. Shultz..... | 1,000 |
| 233 |do..... | Mary A. Shultz..... | 100 |
| 234 | Jan. 1, 1919 | Herman Witthinrich..... | 234 |
| 205 | Mar. 3, 1917 |do..... | 500 |
| 283 | Dec. 30, 1916 | Mary A. Shultz..... | 900 |
| 325 | Dec. 10, 1919 | Herman Witthinrich..... | 200 |

10. On February 16, 1921, just before the retirement of the defendant Arthur H. Shultz as manager, said defendant made entry upon plaintiff's books charging capital stock with \$17,200 and crediting bills receivable with \$23,129.39. At about the same time the defendant Arthur H. Shultz paid in to plaintiff in money \$1,600, and the defendant Herman Witthinrich paid to the plaintiff in money \$2,000. On the same day all of the certificates of stock mentioned in paragraph 4 herof were, by said parties to whom they were issued, surrendered and left in plaintiff's vault, all indorsed by the respective parties to whom they were issued as being sold and assigned to the plaintiff. Upon the capital-stock record opposite the entry as to each of said certificates of shares the defendant Arthur H. Shultz made a record (except as to the shares of defendant Anna Mohr). "Traded for bills receivable."

11. Each and all of the transactions mentioned in the preceding paragraph herof were contrary to law and without any authority, and by means thereof the defendants, conspiring between themselves, undertook to retire as stockholders in the plaintiff and to surrender their certificates of capital stock and to take and did take bills receivable and property of the plaintiff in the sum of \$23,129.39. Plaintiff does not know and can not state which particular notes the defendants received by said transaction nor the amount of the notes nor the dates thereof nor the rate of interest nor the makers of said notes nor the value thereof nor the amount of accrued interest. Plaintiff, however, does have reason to believe and does believe that a portion of said bills receivable consist of three notes of \$7,000 each, but which defendant got which said notes, if any, plaintiff does not know and can not ascertain. The defendants each received bills receivable and property in excess of the value of the capital stock

surrendered by them. Upon information and belief plaintiff alleges that the defendants, Arthur H. Shultz, Mary A. Shultz, and Herman Withnrich, each received bills receivable of the par value of \$7,000, being each \$2,000 in excess of the par value of the capital stock surrendered by them, and the defendant Anna Mohr received bills receivable of the value of \$2,500, being \$300 in excess of the value of the capital stock surrendered by her. All of said bills receivable had a value in excess of par, besides accrued interest, or a total value of \$24,000.

12. Plaintiff has notified each and all of the defendants that it repudiated said transactions and has demanded of the defendants a restoration of their status as stockholders and a return of the bills receivable or property taken by said defendants from the assets of the plaintiff, and plaintiff does hereby repudiate all of said transactions above mentioned involving the retirement of any stock of the plaintiff and the giving over of any of plaintiff's bills receivable in exchange therefor.

13. Plaintiff hereby tenders a restoration of all of the certificates of stock to defendants herein and a restoration to the defendants, Arthur H. Shultz and Herman Withnrich, or to whomsoever of said defendants paid it, the money paid by defendants to plaintiff at the time of said transaction as above mentioned, and demands in connection therewith a restoration of the bills receivable of plaintiff delivered in consideration of said transaction.

14. No part of said sum had been repaid and no part of said bills receivable have been returned, and there is now due and owing from the defendants and each of them a restoration of all of said bills receivable and an accounting thereof, and in lieu thereof there is due and owing the sum of \$24,000, with interest at 7 per cent from February 16, 1921.

Wherefore plaintiff prays judgment against the defendants for an accounting of the bills receivable so taken by the defendants and of the amount and value thereof, and a restoration of the same to plaintiff, and if the same can not be restored that plaintiff have and recover of and from the defendants and each of them \$24,000, with interest at 7 per cent from February 16, 1921, and for such other and further relief as equity may require.

THIRD CAUSE OF ACTION.

15. Without rewriting, the plaintiff adopts and makes a part of this, its third cause of action, paragraphs 1, 2, 3, 4, and 9 hereto.

16. On or about December 19, 1916, the defendants Arthur H. Shultz and Mary A. Shultz, without authority from the plaintiff, withdrew \$8,000 of the funds of the plaintiff, charging the same on the books of plaintiff to capital stock as follows:

"Deb, capital stock Mrs. S., \$5,000; A. H. S., \$3,000; \$8,000;" thereby pretending to reduce the outstanding capital stock of the plaintiff to the extent of \$5,000 for the stock of the defendant Mary A. Shultz and \$3,000 for the stock of the defendant Arthur H. Shultz, and pretending to have and cancel the certificates No. 293 and No. 293 of the stock of the defendant Mary A. Shultz above mentioned, and to surrender and cancel three-fifths of the stock represented by certificate No. 293 above mentioned of defendant Arthur H. Shultz. However, neither of said certificates or any part thereof was at said time actually surrendered or canceled. Later, and within a few months thereafter, the defendants Arthur H. Shultz and Mary A. Shultz reported to plaintiff the withdrawal of said funds as a temporary proposition only, and the surrender of said certificates of stock as a temporary proposition only, and agreed to shortly reinstate said certificates of stock and refund said \$8,000 so withdrawn. Thereafter the said defendants did report to plaintiff the reinstatement of said stock and the repayment of said funds withdrawn, and thereby lulled the plaintiff into the belief that said funds had been restored, and the plaintiff had no knowledge or belief to the contrary until during the year 1921, when the defendant Arthur H. Shultz was interrogated with reference thereto and asked as to the time and manner of such restoration of said \$8,000. At this time, the defendant Arthur H. Shultz reported that said funds were restored on March 28, 1918.

The true facts are, however, that on March 28, 1918, the defendant, Arthur H. Shultz, made entries upon the books showing a credit to capital stock account of \$8,830, which is a credit to capital stock that the defendant Arthur H. Shultz claims was a restoration of the sum of \$8,000 theretofore withdrawn by him. This claim is untrue in fact as, upon said day, undivided profits was charged with said \$8,830, which was the offsetting item of the credit of the same amount to capital stock. None of the defendants had undivided profits which could offset or account for or explain either of said entries. Said entries were a switching of the book entries only without any actual money transactions represented therein, and for the purpose of deceiving the plaintiff and leading the plaintiff to believe that said \$8,000 had been restored

as upon that date, while in truth and fact none of it was restored at that time or any other time, and by reason of the fraud and deceit of the defendants Arthur H. Shultz and Mary A. Shultz the plaintiff has, at all times until the present year 1921, been lulled into the belief that said funds had been restored.

17. No part of said amount has been restored and there is now due and unpaid from the defendants Arthur H. Shultz and Mary A. Shultz therefor to the plaintiff the sum of \$8,000, with interest thereon at 7 per cent per annum from December 19, 1916.

Wherefore plaintiff prays judgment against the defendants Arthur H. Shultz and Mary A. Shultz for the sum of \$8,000, with interest thereon at 7 per cent per annum from December 19, 1916.

FOURTH CAUSE OF ACTION.

18. Without rewriting, the plaintiff adopts and makes a part of this, its fourth cause of action, paragraphs 1 and 4 hereto.

19. The exact dates of the remittances of the funds of the plaintiff and of the receipt of the funds by the plaintiff may vary one or two or three days from the dates alleged in this petition by reason of the fact that sometimes said dates are taken from the records of the sender and sometimes from the records of the receiver of such remittances.

20. During all of the times herein mentioned the defendant Arthur H. Shultz, as such president and manager, had full charge of the employee, management, and direction of all of the employees of the plaintiff and of the books and records of the plaintiff and of all entries thereon and all book entries were made either by or under the direction of the said defendant Arthur H. Shultz.

21. On or about August 22, 1916, the plaintiff received from Flanley Grain Co., of Omaha, Neb., \$5,364.07, at that time owing by the Flanley Grain Co. to the plaintiff. Of said amount so received, the sum of \$2,700 was credited upon the books of the plaintiff to the defendant Arthur H. Shultz, which credit was made at the instance and request of the defendant Arthur H. Shultz without the knowledge or consent of the plaintiff. There was no basis for said credit to the defendant Arthur H. Shultz, and such credit should not have been made. Such credit has been utilized by the defendant Arthur H. Shultz and said amount withdrawn from the plaintiff. Such credit and such withdrawal was fraudulent and for the purpose of deceiving the plaintiff, and plaintiff was deceived thereby, and such credit and withdrawal was fraudulently concealed from the plaintiff, and plaintiff never had any knowledge or information or notice thereof until the year 1921.

22. No part of said amount has been repaid to the plaintiff, and there is now due and unpaid from the defendant Arthur H. Shultz to the plaintiff thereon the sum of \$2,700, with interest thereon at 7 per cent per annum from August 22, 1916.

Wherefore plaintiff prays judgment against the defendant Arthur H. Shultz for the sum of \$2,700, with interest thereon at 7 per cent per annum from August 22, 1916.

FIFTH CAUSE OF ACTION.

23. Without rewriting, the plaintiff adopts and makes a part of this, its fifth cause of action, paragraphs 1, 4, 19, and 20 hereto.

24. On August 30, 1916, the said defendant Arthur H. Shultz remitted of the funds of the plaintiff \$1,000, and on September 5, 1916, \$2,000, to Flanley Grain Co., of Omaha, as margins upon hedging on the board of trade to be carried and which were carried for and in the name of the plaintiff. Said defendant Arthur H. Shultz improperly charged said remittances to himself, he having no credit with or property of the plaintiff against which said amounts could be properly charged, and said debts to him were without the knowledge or the consent of the plaintiff, and said remittances constituted a withdrawal of said amount of the funds and property of the plaintiff. Based thereon, there were hedging transactions on the board of trade between the plaintiff and the Flanley Grain Co., resulting in a net profit on said transactions in the sum of \$5,232.94, which was the profit of the plaintiff. On September 23, 1916, said margin money, plus said profit, aggregating \$8,232.94, was remitted by said Flanley Grain Co. to the plaintiff and was all received by the plaintiff upon the books of the plaintiff, and all withdrawn by him from the funds of the plaintiff, while in fact he should have simply taken credit for the sum of \$3,000 improperly charged to him. All of said transactions were kept in secret from the knowledge of the plaintiff, and the plaintiff, until the year 1921, had no knowledge or notice thereof, such knowledge and notice being fraudulently kept from the plaintiff by said defendant Arthur H. Shultz. By reason of said transaction, the defendant Arthur H. Shultz converted to his own use of the funds of the plaintiff the sum of \$5,232.94.

25. No part of said sum has been repaid to the plaintiff and there is now due and unpaid from the defendant Arthur H. Shultz to the plaintiff thereon the sum of \$5,232.94, with interest thereon at 7 per cent per annum from September 25, 1916.

SIXTH CAUSE OF ACTION.

26. Without rewriting, the plaintiff adopts and makes a part of this, its sixth cause of action paragraphs 1, 4, 19, and 20 hereof.

27. On September 30, 1916, the plaintiff had a credit with Flanley Grain Co. in the sum of \$3,000 made up, in part, by funds of the plaintiff previously held by said Flanley Grain Co., and, in part, by remittance of \$2,000 made by the plaintiff of its funds to Flanley Grain Co., but by the defendant Arthur H. Shultz improperly charged on the books of the plaintiff to himself. Said defendant at that time had no credit with or property of the plaintiff against which said amount could be properly charged, and said charge to him was made without the knowledge or consent of the plaintiff. Said remittance constituted a withdrawal of said amount of the funds and the property of the plaintiff. Said original credit of \$1,000 as the property of the plaintiff and said remittance of \$2,000 of the funds of the plaintiff were used by the said Flanley Grain Co. as margins under the direction of the defendant Arthur H. Shultz for hedging on the board of trade to be carried for and in the name of the plaintiff. Based thereon there were hedging transactions on the board of trade between the plaintiff and the Flanley Grain Co., resulting in a new profit on said transaction in the sum of \$3,925, which was the profit of the plaintiff. On October 18, 1916, the said Flanley Grain Co. remitted to the plaintiff \$5,925, and on October 19, 1916, said Flanley Grain Co. remitted to the plaintiff \$1,000. The said two remittances were the said \$1,000 credit to the plaintiff carried over from previous to September 30, 1916, and \$2,000 remitted to Flanley Grain Co. on September 30, 1916, and the said hedging profits of \$3,925. Said two remittances were received by the plaintiff, but said amount was credited by the defendant Arthur H. Shultz to himself upon the books of the plaintiff and all withdrawn by him from the funds of the plaintiff, while in fact he should have simply taken credit for the sum of \$2,000 improperly charged to him. All of said transactions were kept in secret from the knowledge of the plaintiff, and the plaintiff, until the year 1921, had no knowledge or notice thereof, such knowledge and notice being fraudulently kept from the plaintiff by said defendant Arthur H. Shultz. By reason of said transaction, the defendant Arthur H. Shultz converted to his own use of the funds of the plaintiff the sum of \$4,925.

28. No part of said sum has been repaid to the plaintiff, and there is now due and unpaid from the defendant Arthur H. Shultz to the plaintiff thereon the sum of \$4,925, with interest thereon at 7 per cent per annum from October 19, 1916.

Wherefore plaintiff prays judgment against the defendant, Arthur H. Shultz, for the sum of \$4,925, with interest thereon at 7 per cent per annum from October 19, 1916.

SEVENTH CAUSE OF ACTION.

29. Without rewriting, the plaintiff adopts and makes a part of this, its seventh cause of action, paragraphs 1, 4, 19, and 20 hereof.

30. The plaintiff had no cash grain account with E. W. Wagner & Co., but did do a hedging business with said E. W. Wagner & Co. On July 27, 1916, the plaintiff sent its check No. 581 to E. W. Wagner & Co. for margin on the board of trade hedging, which remittance was made by the defendant, Arthur H. Shultz, who charged the same on plaintiff's books to corn. Said money was the money of the plaintiff. Thereafter, on August 14, 1916, the defendant, Arthur H. Shultz, made entries upon the plaintiff's books, crediting corn with \$600 and charging himself with \$600, evidently endeavoring to switch this margin account to himself after it became evident that there was going to be a profit upon such investment. Thereafter, on August 16, 1916, the plaintiff remitted to said E. W. Wagner & Co. an additional \$500 and on August 30, 1916, an additional \$500. Said defendant, Arthur H. Shultz, improperly charged each of said remittances to himself, he having no credit with or property of the plaintiff against which said amounts could be properly charged, and having no credit with or property of the plaintiff against which said \$600 could be properly charged, and said debits to him and each of them were without the knowledge or consent of the plaintiff, and all of said three remittances constituted a withdrawal of said respective amount, of the funds and property of the plaintiff. Said three remittances were made as margins for hedging on the board of trade to be carried for and in the name of the plaintiff. Based thereon, there were hedging transactions on the board of trade be-

tween the plaintiff and said E. W. Wagner & Co. resulting in a net profit on said transactions in the sum of \$1,135.28, which was the property of the plaintiff.

All of said three remittances as margin money and all of said profits were remitted by said E. W. Wagner & Co. to the plaintiff, said remittance being \$1,902.06 on August 22, 1916, and \$933.22 on September 26, 1916. Each of said amounts were received by the plaintiff, but said amounts were both credited by the defendant Arthur H. Shultz to himself upon the books of the plaintiff and all withdrawn by him from the funds of the plaintiff, while in fact he should have simply taken credit for the sum of \$1,600 improperly charged to him. All of said transactions were kept in secret from the knowledge of the plaintiff, and the plaintiff, until the year 1921, had no knowledge or notice thereof, said knowledge and notice being fraudulently kept from the plaintiff by the said defendant Arthur H. Shultz. By reason of said transactions, the defendant Arthur H. Shultz converted to his own use of the funds of the plaintiff the sum of \$1,135.28.

31. No part of said sum has been repaid to the plaintiff, and there is now due and unpaid from the defendant Arthur H. Shultz to the plaintiff thereon the sum of \$1,135.28, with interest thereon at 7 per cent per annum from September 26, 1916.

Wherefore plaintiff prays judgment against the defendant, Arthur H. Shultz, for the sum of \$1,135.28, with interest thereon at 7 per cent per annum from September 26, 1916.

EIGHTH CAUSE OF ACTION.

32. Without rewriting, the plaintiff adopts and makes a part of this, its eighth cause of action, paragraphs 1, 4, 19 and 20 hereof.

In the spring of 1917, the plaintiff had an account with Nebraska Iowa Grain Co., both for grain shipped to said company and for board of trade transactions on hedging account. On or about April 30, 1917, said Nebraska-Iowa Grain Co. remitted to the plaintiff its check in the sum of \$7,500, being for the sum of \$3,697.72, balance due the plaintiff for cash grain shipped to said company, and for the sum of \$3,802.28, profits on hedging account. Said check for the sum of \$7,500 was received by the plaintiff and was the property of the plaintiff, but was by the defendant Arthur H. Shultz converted to his own use, said check never appearing in any way upon the plaintiff's books, and the defendant Arthur H. Shultz receiving payment upon said check, the same having been paid by the bank upon which it was drawn. Such withdrawal of the funds of the plaintiff by the defendant Arthur H. Shultz was fraudulent and for the purpose of deceiving the plaintiff, and the plaintiff was deceived thereby and plaintiff never had any knowledge or information or notice thereof until the year 1921.

33. No part of said amount has been repaid to the plaintiff, and there is now due and unpaid from the defendant Arthur H. Shultz to the plaintiff thereon, the sum of \$7,500, with interest thereon at 7 per cent per annum from April 30, 1917.

Wherefore, plaintiff prays judgment against the defendant Arthur H. Shultz for the sum of \$7,500, with interest thereon at 7 per cent per annum from April 30, 1917.

NINTH CAUSE OF ACTION.

35. Without rewriting, the plaintiff adopts and makes a part of this, its ninth cause of action, paragraphs 1, 4, 19, and 20, hereof.

36. On April 5, 1917, plaintiff's check was drawn for the sum of \$1,000, and on April 12, 1917, plaintiff's check was drawn for the sum of \$1,000, each of which checks were used for the purchase of bank drafts payable to Lamson. Each of said amounts were, by the defendant Arthur H. Shultz, charged upon plaintiff's books to the account of grain hedge, indicating that the same were used as margins on grain account. The plaintiff, however, never had any grain hedge account or transaction whatever with Lamson and the same were not used in any way in the plaintiff's business, but were used as a margin with Lamson for the account of the defendant Arthur H. Shultz, and instead of said amounts being properly charged to grain hedge they were in fact conversions of the funds of the plaintiff by the defendant Arthur H. Shultz for his own use. The charging of the same to the account of grain hedge was a fraud and a deception practiced by the defendant Arthur H. Shultz for the purpose of deceiving and did deceive the plaintiff, and the plaintiff, until the year 1921, did not have knowledge or information or notice thereof.

No part of said amount has been repaid to the plaintiff and there is now due and unpaid from the defendant Arthur H. Shultz to the plaintiff thereon the sum of \$2,000, with interest thereon at 7 per cent per annum from April 12, 1917.

Wherefore plaintiff prays judgment against the defendant Arthur H. Shultz for the sum of \$2,000, with interest thereon at 7 per cent per annum from April 12, 1917.

TENTH CAUSE OF ACTION.

38. Without rewriting, the plaintiff adopts and makes a part of this, its tenth cause of action, paragraphs 1, 4, 19, and 20 herof.

39. On January 29, 1917, plaintiff's check No. 5177 for \$3,000 was drawn in favor of First National Bank of Scribner upon said bank, and by said bank was paid on said day by the issuing of its draft payable to Lamson. Said purchase of said draft was made by the defendant Arthur H. Shultz as margins on option transactions between said defendant Arthur H. Shultz and said Lamson, but by reason of the fraud and deception of the defendant Arthur H. Shultz said amount of \$3,000 was by said defendant converted to his own use without being charged to his ledger account with the plaintiff, and by reason thereof the defendant Arthur H. Shultz fraudulently and secretly without the knowledge or consent of the plaintiff converted to his own use \$3,000 of the funds of the plaintiff, and has all the time kept such conversion secret and from the knowledge of the plaintiff, and the plaintiff never, until the year 1921, discovered said fraud or said conversion.

40. No part of said amount has been repaid to the plaintiff, and there is now due and owing from the defendant Arthur H. Shultz to the plaintiff thereon the sum of \$3,000, with interest thereon at 7 per cent per annum from January 29, 1917.

Wherefore plaintiff prays judgment against the defendant Arthur H. Shultz for the sum of \$3,000, with interest thereon at 7 per cent per annum from January 29, 1917.

Wherefore plaintiff prays generally for each and all of the general relief above specifically prayed for in the various causes of action above mentioned, numbered from 1 to 10, inclusive, and for an accounting of all of said matters, and for such other and further relief as equity may require, and for costs of this action.

COURTRIGHT, SIDNER, LEE & GUNDERSON,
Attorney for Plaintiff.

STATE OF NEBRASKA, Dodge County, ss:

I, W. J. Courtright, being first duly sworn, depose and say that I am one of the attorneys for the plaintiff in the above-entitled action; that said plaintiff is a corporation, and that the facts set out in the foregoing amended petition are true as I believe.

W. J. COURTRIGHT.

Subscribed in my presence and sworn to before me this 17th day of November, 1921.
[SEAL.] DORIS A. GUMB, Notary Republic.

STATE OF NEBRASKA, County of Dodge, ss:

I, P. T. Mitterling, clerk of the district court in and for the county of Dodge, State of Nebraska, do hereby certify that the above and foregoing is a true, correct, and complete copy of the second amended petition in equity in the case wherein Farmers Cooperative Mercantile Co. of Scribner, is plaintiff and Arthur H. Shultz et al. are defendants, as fully as the same remains of record in this office.

In witness whereof I have herunto set my hand and caused to be affixed hereto the seal of this court this 14th day of March, A. D. 1922.

[SEAL.] P. T. MITTERLING,
Clerk of District Court.
By KITTY ARMSTEAD,
Deputy.

EXHIBIT E.

Financial statement, Farmers' Union Elevator Co., Lawrence, Nebr., December 31, 1921.

ASSETS.

| | | |
|-----------------------------------|------------|-------------|
| Current: | | |
| Elevator inventory..... | \$5,979.88 | |
| Lumber yard inventory..... | 19,354.85 | |
| Merchandise inventory..... | 3,740.47 | |
| | | \$29,075.20 |
| Cash on hand..... | 272.74 | |
| Cash in bank..... | 78.00 | |
| Dividend due inventory stock..... | 140.00 | |
| Accounts receivable..... | 4,866.22 | |
| | | 5,356.96 |
| Total current assets..... | | 34,432.16 |

| | | |
|---|-----------------------------|-------------|
| Fixed: | | |
| Elevator and buildings..... | \$6,105.40 | |
| Fixtures..... | 183.00 | |
| Lumber yard buildings and fixtures..... | 9,922.24 | |
| Total fixed assets..... | | \$16,280.64 |
| Total assets..... | | 50,712.80 |
| LIABILITIES. | | |
| Direct: | | |
| Notes payable elevator..... | 6,000.00 | |
| Notes payable lumber..... | 18,300.00 | 24,300.00 |
| Overdraft State bank..... | | 882.58 |
| Total direct liabilities..... | | 25,182.58 |
| Nominal: | | |
| Capital stock..... | 29,000.00 | |
| Adjustment account..... | 97.35 | |
| Surplus account..... | 1,573.66 | |
| Reserve fund..... | 2,360.00 | |
| Total..... | 33,031.01 | |
| Loss for year..... | 7,500.00 | |
| Net worth..... | | 25,530.22 |
| Total liabilities..... | | 50,712.80 |
| | H. J. POHLMAYER, President. | |
| | FRED BROCKMAN, Treasurer. | |
| | CLEM WITTE, Secretary. | |

EXHIBIT F.

Farmers' Union Cooperative Association, Carroll, Nebr., October 1, 1920, to September 30, 1921.

Mar. 18, 1922:

| | |
|--|---------|
| Value of— | |
| Elevator..... | \$8,000 |
| Sheds..... | 2,000 |
| Ware..... | 5,000 |
| Stock..... | 5,000 |
| Accounts..... | 5,000 |
| Total..... | 23,000 |
| Capital..... | 13,000 |
| Notes payable..... | 21,000 |
| Note payable..... | 2,000 |
| Total..... | 36,000 |
| Loss..... | 13,000 |
| Capital stock..... | 50,000 |
| Surplus..... | |
| Capital paid in..... | 13,000 |
| Loss, 1921, invoiced at cost..... | 1,900 |
| Notes payable to bank, at 10 per cent..... | 21,000 |
| Notes payable, private loan, at 10 per cent..... | 2,000 |
| Handle grain, produce, cream, groceries, machinery, and hogs: accounts receivable..... | 5,000 |
| Value of— | |
| Elevator..... | 6,000 |
| Sheds..... | 2,000 |
| Store..... | 5,000 |
| Stocks, fixtures..... | 5,000 |
| Auditor's estimated value of shares, par \$100..... | 76 |

No actual market at any price for shares.

Note for \$2,000 due April 1, 1922, which is past due. There are no funds or prospective funds to meet this note.

This company has never shown a profit. A 7 per cent dividend was declared in 1920 and paid with borrowed money.

All stockholders heavily involved. Have considered an assessment of 50 per cent or a reorganization and sale of \$25,000 additional stock.

I was not allowed to see audit report or books. Information furnished by Manager Whitney and bank holding notes.

I consider this organization absolutely broke, and at present prices of assets owned 20 per cent would be a high figure.

The inventories of machinery were taken at cost rather than market, decreasing loss for year. Always shown a big loss on elevator.

EXHIBIT G.

Farmers Grain & Stock Co., Crofton, Nebr., January 1, 1921, to December 31, 1921.

Mar. 21, 1922:

| | |
|--------------------------------------|----------|
| Capital stock..... | \$50,000 |
| Capital paid in..... | 25,000 |
| Loss..... | 1,500 |
| Notes payable (8 per cent)..... | 18,000 |
| Value of elevator..... | 6,000 |
| Value of hogs, yards, and sheds..... | 8,000 |
| Value of stock..... | 2,000 |
| Stock valued at (par \$100)..... | 40 |
| Accounts receivable..... | 6,000 |

Nonassessable. This company paid one 8 per cent dividend in 1920 of 8 per cent on borrowed capital. Have never shown a profit. Handle grain, hogs, and coal. They have attempted a reorganization by selling stock, but have not been successful. Most of loans are with directors. Stockholders weak financially.

| ASSETS. | |
|--------------------------|---------|
| Elevator property..... | \$6,000 |
| Hog yards and sheds..... | 8,000 |
| Stock..... | 2,000 |
| Accounts..... | 6,000 |
| Total..... | 22,000 |
| LIABILITIES. | |
| Capital..... | 25,000 |
| Notes payable..... | 18,000 |
| Total..... | 43,000 |
| Loss..... | 21,000 |

EXHIBIT H.

Farmers' Union Mercantile Co., Pender, Nebr., October 1, 1920, to September 30, 1921.

Mar. 22, 1921:

| | |
|---|-----------|
| Capital stock..... | \$100,000 |
| Capital paid in..... | 55,000 |
| Loss..... | 21,000 |
| Notes payable at 8 per cent..... | 35,000 |
| Accounts payable..... | 5,000 |
| Value of elevator..... | 6,000 |
| Value of sheds..... | 10,000 |
| Value of stock and fixtures..... | 20,000 |
| Accounts receivable..... | 30,000 |
| Accounts receivable, previous year..... | 55,000 |

Handle grain, feed, flour, lumber, paints and oils, implements, oil, and tires. Shares nonassessable. The directors of this company are also directors of the Pender State Bank, hence the enormous loan carried at the bank.

| ASSETS. | |
|-------------------------|---------|
| Elevator..... | \$6,000 |
| Sheds..... | 10,000 |
| Stock and fixtures..... | 20,000 |
| Accounts..... | 30,000 |
| Total..... | 66,000 |
| LIABILITIES. | |
| Capital..... | 55,000 |
| Notes..... | 40,000 |
| Accounts payable..... | 5,000 |
| Total..... | 95,000 |
| Loss..... | 29,000 |

EXHIBIT I.

Farmers' Union Cooperative Association, Bloomfield, Nebr., February 1, 1921, to January 31, 1922.

Mar. 18, 1922:

| | |
|--|-------------|
| Capital stock..... | \$50,000.00 |
| Capital paid in..... | 47,000.00 |
| Loss..... | 2,240.15 |
| Notes payable (at 8 per cent)..... | 29,000.00 |
| Accounts receivable (25 per cent collectible)..... | 9,570.02 |
| Value of elevator and lumber sheds..... | 16,770.00 |
| Value stocks and fixtures..... | 12,000.00 |
| Cash in bank..... | 7,425.05 |
| Stock valued (par, \$100)..... | 80.00 |
| Accounts payable..... | 200.00 |

Handle grain, hogs, lumber, paints and oils, coal, and building material.

This company paid one dividend of 8 per cent on borrowed capital. They are attempting a reorganization which to date has been unsuccessful. Stockholders very substantial. Loss on elevator always heavy.

| LIABILITIES. | |
|----------------------------------|-------------|
| Owe stockholders..... | \$47,000.00 |
| Owe notes to bank..... | 29,000.00 |
| Total..... | 76,000.00 |
| ASSETS. | |
| Accounts..... | 9,570.02 |
| Elevator property and sheds..... | 16,770.00 |
| Stock on hand..... | 12,000.00 |
| Cash in bank..... | 7,425.05 |
| Total..... | 45,765.07 |
| Total loss..... | 30,234.93 |

EXHIBIT J.

Farmers' Union Cooperative Association, Wayne, Nebr.

LIST OF SCHEDULES.

- Sheet 1. Analysis of impairment of surplus.
 2. Comparative balance sheets.
 3. Profit and loss statement.
 4. Inventories.
 5. Accounts payable.
 6. Notes payable.
 7. Notes receivable.
 8. Purchases and sales.
 9. General notes on surplus.
 7. Balance sheets.
 7. Accounts receivable.
 7. Fixed assets.
 8. Deficit general notes.

SCHEDULE A.—Analysis of impairment of capital account.

| | |
|---|------------|
| Deficit balance as of Jan. 1, 1921..... | \$3,850.53 |
| Adjustments of errors in 1920 operations— | |
| Bills payable, due but not listed..... | \$1,180.89 |
| Three shares of stock not listed..... | 300.00 |
| | 1,480.89 |
| Total deficit..... | 5,370.42 |
| Net loss on operations for year..... | 4,570.70 |
| Total..... | 9,941.12 |
| Paid in surplus or reimbursement of capital stock..... | 2,065.00 |
| Deficit balance as of Dec. 31, 1921..... | 7,876.12 |
| Stockholders assessed 35 per cent—only \$2,065 paid in at close December 31, 1921. Manager has no faith in further payments. | |

SCHEDULE B.—Comparative balance sheets.

| | Jan. 1, 1921. | Dec. 31, 1921. |
|---------------------------|------------------|-------------------|
| ASSETS. | | |
| Current: | | |
| Cash on hand..... | \$181.46 | \$25.86 |
| Cash in bank..... | 638.26 | 47.70 |
| Accounts receivable..... | 1,362.17 | 2,023.62 |
| Notes receivable..... | 35.00 | 164.00 |
| Fixed: | | |
| Plant and equipment..... | 20,887.61 | 20,975.38 |
| Office fixtures..... | 1,560.38 | 1,566.50 |
| Inventories: | | |
| Corn..... | 215.10 | 371.86 |
| Oats..... | 100.80 | 50.26 |
| Coal..... | 1,182.00 | 1,348.15 |
| Merchandise..... | 7,266.91 | 2,184.23 |
| Twine..... | 658.75 | |
| Total assets..... | 34,078.44 | 28,757.56 |
| LIABILITIES. | | |
| Current: | | |
| Accounts payable..... | 4,367.97 | 497.50 |
| Notes payable..... | 16,000.00 | 16,000.00 |
| Accrued taxes unpaid..... | | 436.18 |
| Capital: | | |
| Capital stock..... | 17,000.00 | 15,700.00 |
| Less deficit..... | 3,850.53 | 7,876.12 |
| Total liabilities..... | 34,078.44 | 28,757.56 |

SCHEDULE C.—Trading and income and expense statement.

[Jan. 1, 1921, to Dec. 31, 1921.]

| | Inventory Jan. 1, 1921. | Purchases. | Less inventory Dec. 31, 1921. | Cost of sales. | Sales. | Gross gain or loss. |
|---|-------------------------------|------------|-------------------------------------|-------------------|-----------|------------------------|
| Wheat..... | | \$798.15 | | \$798.15 | \$810.10 | \$11.95 |
| Coru..... | \$213.10 | 26,788.32 | \$371.80 | 26,631.56 | 29,342.30 | \$2,710.74 |
| Oats..... | 100.80 | 19,050.34 | 50.26 | 19,100.88 | 20,710.35 | \$1,609.48 |
| Barley..... | | 374.64 | | 374.64 | 392.58 | \$17.94 |
| Coal..... | 1,182.00 | 12,030.85 | 1,348.15 | 11,873.70 | 11,438.65 | \$435.05 |
| Twine..... | 658.75 | 20.50 | | 688.25 | 631.20 | \$56.75 |
| Merchandise..... | 7,266.91 | 5,639.34 | 2,184.23 | 11,022.02 | 9,313.49 | \$1,708.53 |
| Total..... | 9,422.56 | 65,217.14 | 3,954.50 | 70,686.20 | 72,838.68 | |
| | + Gain. | | + Loss. | | | |
| Net gross income..... | | | | | | \$2,172.48 |
| Miscellaneous income: | | | | | | |
| Commissions on apples handled..... | | | | | | \$104.89 |
| Miscellaneous adjustment of accounts..... | | | | | | 1.34 |
| | | | | | | 106.23 |
| Total gross income for year..... | | | | | | 2,278.71 |
| Deductions: | | | | | | |
| Ordinary expenses— | | | | | | |
| Salaries and labor..... | | | | | | 3,032.00 |
| Collection fees..... | | | | | | 200.00 |
| Advertising..... | | | | | | 240.39 |
| Light and power..... | | | | | | 177.64 |
| Telephone..... | | | | | | 132.03 |
| Supplies..... | | | | | | 121.17 |
| Insurance..... | | | | | | 114.05 |
| Auditing..... | | | | | | 102.00 |
| Amended article of incorporation..... | | | | | | 88.85 |
| Rent..... | | | | | | 120.00 |
| Hardware..... | | | | | | 31.85 |
| Association dues..... | | | | | | 30.00 |
| Dravage..... | | | | | | 23.75 |
| Scale inspection..... | | | | | | 16.50 |
| Traveling expenses..... | | | | | | 8.80 |
| | | | | | | 4,439.03 |
| Interest..... | | | | | | 1,230.14 |
| Repairs..... | | | | | | 35.00 |
| Taxes— | | | | | | |
| 1920 county personal..... | | | | | | 306.06 |
| 1921 county personal..... | | | | | | 436.18 |
| Corporation..... | | | | | | 15.75 |
| Capital stock..... | | | | | | 8.00 |
| Penalties..... | | | | | | 8.40 |
| | | | | | | 774.39 |
| Total expenses..... | | | | | | 6,478.56 |
| Bad accounts charged off..... | | | | | | 370.85 |
| Total deductions..... | | | | | | 6,849.41 |
| Net loss all operations for year..... | | | | | | 4,570.70 |

SCHEDULE D.—*Purchases and sales.*

[Dec. 31, 1921.]

| | Purchases. | | Sales. | |
|------------------|-----------------|-----------|-----------------|-----------|
| | Quantity. | Amount. | Quantity. | Amount. |
| | <i>Bushels.</i> | | <i>Bushels.</i> | |
| Wheat..... | 923.38 | \$708.15 | 949.54 | \$810.10 |
| Corn..... | 80,425.53 | 26,798.32 | 80,302.25 | 29,342.30 |
| Oats..... | 77,806.26 | 19,050.34 | 81,168.09 | 20,710.36 |
| Barley..... | 1,734.46 | 574.64 | 1,764.34 | 392.58 |
| Coal..... | 12,038.85 | | | 11,458.65 |
| Merchandise..... | 5,939.34 | | | 9,313.49 |
| Twine..... | 26.50 | | | 631.20 |
| Total..... | | 65,217.14 | | 72,858.68 |

SCHEDULE E.—*Inventories.*

[Dec. 31, 1921.]

| | |
|--|----------|
| Corn (bushels): | |
| On hand, 10,340; not paid for, 9,170; balance, 1,170, at \$0.30... | \$351.00 |
| Balance due on cars in transit— | |
| Car No. 82594..... | 14.90 |
| Car No. 28581..... | 5.96 |
| | \$371.86 |
| Oats (bushels): | |
| On hand, 1,333; not paid for, 1,173; balance, 160, at \$0.25..... | 40.00 |
| Balance due on car in transit, No. 18914..... | 10.26 |
| | 50.26 |
| Coal: | |
| On hand, 101 tons..... | 1,661.36 |
| Less coal not paid for..... | 313.21 |
| | 1,348.15 |
| Merchandise on hand: | |
| Paint..... | 606.50 |
| Tires and tubes..... | 333.50 |
| Spark plugs..... | 35.50 |
| Grease..... | 43.15 |
| Rope..... | 40.00 |
| Salt..... | 406.05 |
| Stock feeds..... | 113.75 |
| Miscellaneous..... | 504.00 |
| Flour..... | 19.25 |
| All sales to Jan. 11..... | 114.53 |
| Total..... | 2216.23 |
| Less flour not paid for..... | 32.00 |
| | 2,184.23 |
| Total inventory..... | 3,954.50 |

SCHEDULE G.—*Accounts payable.*

[Dec. 31, 1921.]

| | |
|-------------------------------------|---------|
| R. M. Van Ness Construction Co..... | \$50.00 |
| Wertz Seed Co..... | 128.55 |
| H. Channon Co..... | 318.95 |
| | 497.50 |

SCHEDULE H.—*Notes payable.*

[Dec. 31, 1921.]

| Name. | Amount. | Interest rate. | Interest paid to. |
|--------------------------|---------|----------------|-------------------|
| Fred Vahlkamp..... | \$3,000 | Per cent. | Sept. 6, 1921 |
| State Bank of Wayne..... | 13,000 | 8 | Oct. 29, 1921 |
| Total..... | 16,000 | | |

SCHEDULE I.—*Notes receivable.*

[Dec. 31, 1921.]

| | |
|--------------------|---------|
| W. J. Harding..... | \$35.00 |
| Earl Miner..... | 129.00 |
| Total..... | 164.00 |

Farmers' Union Cooperative Association, Wayne, Nebr.

In schedule A we give a complete analysis of deficit the company has suffered. The deficit as of the beginning of the year is \$3,889.53. To this is added an adjustment of errors in 1920 operations which were not picked up in the last annual audit consisting of outstanding bills payable, not listed, and an adjustment of three shares of capital stock to make the book account agree with the certificate stubs, totaling \$1,459.89, making the correct deficit as of the beginning of the year \$5,370.42. To this is added the net loss on operations for the year, \$4,570.70, making a total deficit of \$9,941.12. Paid-in assessments on the capital during the year amount to \$2,065, which, when deducted from deficit, leaves the balance as of the close of the year a deficit of \$7,876.12.

The comparative balance sheets in schedule reflect the financial condition of the company both as of the beginning and close of the year. The assets and liabilities are classified and detailed and will be found interesting in making comparisons. The assets and liabilities as of the close of business December 31, 1921, are classified as follows:

| ASSETS. | |
|--------------------------|-------------|
| Current..... | \$2,261.18 |
| Fixed..... | 22,541.88 |
| Inventories..... | 3,954.30 |
| | 28,757.56 |
| LIABILITIES. | |
| Current..... | \$16,497.50 |
| Accrued..... | 436.18 |
| Capital..... | 11,823.88 |
| | 28,757.56 |
| Accounts receivable..... | 2,023.62 |

These were verified by us and found correct. The total accounts due the company amount to \$5,000.98. Credits to these accounts total \$2,977.36, leaving the account-receivable balance as above, amounting to \$2,023.62.

FIXED ASSETS.

These total \$22,541.88, and represent the actual cost of your entire property account. No reserve for depreciation has been set up as the company has been operating at a loss.

Capital stock, \$19,700. This represents the paid-up and outstanding stock of the company as of December 31, 1921. The book account was checked with the stock-certificate record and found to be short three shares. This condition prevailed at the beginning of last year, so the adjustment was charged to 1920 operations.

Deficit, \$7,876.12. This is analyzed in schedule A. When deducted from the total paid-up capital the net worth of your capital remains \$11,823.88, or approximately \$60 per share, which is \$40 below par.

During the year of audit from January 1, 1921, through December 31, 1921, the capital stock was increased from \$25,000 to \$100,000 by a majority vote of stockholders. Note expense item on sheet 3 on profit-and-loss statement entitled "Amended articles of incorporation" of \$88.85. There were 18 shares sold at this time. There are 88 stockholders in this company. The by-laws permit each individual stockholder but 5 shares.

The elevator, sheds, etc., are in excellent condition; capacity of elevator, 35,000 bushels.

Was reliably informed that the State Bank of Wayne, holding this company's note for \$13,000, are not worried over this loan and seem to have confidence in their ability to pay.

The note for \$3,000 is held by their heaviest stockholder, Fred Vohlkamp, who is indebted to this company over \$2,600 for merchandise purchased. He is reported to be very well fixed.

This company paid 118 per cent dividends its first year.

United States Grain Growers (Inc.), could not interest the manager or any stockholders in this company.

EXHIBIT K.

Financial statement of the Farmers' Grain & Live Stock Association, Tekamah, Nebr., at the close of business, December 31, 1921.

| ASSETS. | |
|-----------------------------|------------------|
| Cash in bank..... | \$744.76 |
| Accounts receivable..... | 1,900.35 |
| Notes receivable..... | 1,419.83 |
| Property accounts..... | 11,578.43 |
| Inventories..... | 3,341.88 |
| Capital deficit..... | 2,618.84 |
| | <u>21,904.09</u> |
| LIABILITIES. | |
| Bank overdraft..... | 886.47 |
| Notes payable..... | 8,000.00 |
| Grain accounts payable..... | 1,287.49 |
| Accrued expenses..... | 45.59 |
| Depreciation account..... | 834.54 |
| Capital stock..... | 10,850.00 |
| | <u>21,904.09</u> |

The above statement is correct to the best of our knowledge and belief.

FARMERS' GRAIN & LIVE STOCK ASSOCIATION,
By V. C. FLANAGAN, President.
FRANK ROTH, a Director.
A. H. GILBERT, a Director.

EXHIBIT L.

Sixth annual statement Farmers Union Elevator Co., Harvard, Nebr., January 31, 1920, to January 31, 1921.

| | Inventory Jan. 31, 1920. | Bought. | Sold. | Inventory Jan. 31, 1921. | Profit or loss. |
|--|--------------------------------|-------------------|-------------------|--------------------------------|--------------------|
| Wheat..... | \$3,708.99 | \$104,431.96 | \$110,398.83 | \$3,098.33 | \$5,356.23 |
| Corn..... | | 41,822.71 | 40,192.92 | 681.20 | 960.59 |
| Oats..... | 1,115.18 | 10,478.57 | 10,678.43 | 1,076.90 | 157.35 |
| Barley..... | 974.78 | 10,427.87 | 11,270.01 | 987.43 | 854.79 |
| Coal..... | 246.10 | 9,966.11 | 9,796.27 | 745.06 | 745.06 |
| Merchandise..... | 1,780.16 | 19,935.27 | 19,330.83 | 2,833.00 | 456.40 |
| | <u>7,838.21</u> | <u>196,162.49</u> | <u>201,641.29</u> | <u>8,966.88</u> | |
| Gross trading profit for the period..... | | | | | 6,607.47 |
| Expenses for the year 1920..... | | | | | <u>6,035.19</u> |
| Net profits for the year 1920..... | | | | | <u>574.28</u> |

| ASSETS. | |
|-----------------------------------|------------------|
| Cash in bank..... | \$85,210.53 |
| Petty cash..... | 20.00 |
| Furniture and fixtures..... | 576.01 |
| Insurance, unexpired..... | 243.75 |
| Real estate and improvements..... | 7,765.30 |
| Accounts receivable..... | 1,136.35 |
| Inventory Jan. 31, 1921..... | 8,966.88 |
| | <u>23,918.72</u> |

| LIABILITIES. | |
|---------------------------------|------------------|
| Drafts on grain in transit..... | 4,250.00 |
| Notes payable..... | 5,176.27 |
| Interest accrued..... | 122.24 |
| Capital stock..... | 11,750.00 |
| Reserve for depreciation..... | 1,207.00 |
| Surplus..... | 858.33 |
| Net profit for period..... | 574.28 |
| | <u>23,918.72</u> |

Officers.—Robert Campbell, president; Lyman Aker, secretary; Thos. A. Siefken, manager.

Directors.—Robert Campbell, M. E. Whisenand, Wm. Wendt, Lyman Aker, Ed. A. Keller.

This is to certify that we have examined the books and accounts of the Farmers Union Elevator Co. and that the above statement is correct.

INTERNATIONAL AUDIT CO.,
Public Accountants and Auditors.

FEBRUARY 11, 1921.

Annual statement of Farmers' Cooperative Co., Eldorado, Nebr.

| ASSETS. | |
|-----------------------|------------------|
| Bills receivable..... | \$3,596.70 |
| Corn..... | 28.00 |
| Improvements..... | 6,139.94 |
| Lumber..... | 3,933.97 |
| Merchandise..... | 315.06 |
| Oats..... | 18.00 |
| Adjustment wheat..... | 230.35 |
| Railroad claims..... | 1,131.37 |
| Cash on hand..... | 172.51 |
| Profit and loss..... | 3,555.78 |
| Total..... | <u>19,111.68</u> |

| LIABILITIES. | |
|-----------------------|------------------|
| Capital stock..... | 7,050.00 |
| Surplus..... | 1,004.30 |
| Bills payable..... | 8,000.00 |
| Depreciation..... | 691.92 |
| Accounts payable..... | 2,365.46 |
| Total..... | <u>19,111.68</u> |

| | |
|--------------------|-------------------|
| Wheat bought..... | 21,168 bu. 10 lb. |
| Wheat sold..... | 21,179 |
| Corn bought..... | 10,218 |
| Corn sold..... | 10,196 |
| Barley bought..... | 1,602 bu. 45 lb. |
| Barley sold..... | 1,643 bu. 44 lb. |
| Oats bought..... | 5,090 bu. .07 lb. |
| Oats sold..... | 5,015 bu. 16 lb. |
| Rye bought..... | 1,381 bu. |
| Rye sold..... | 1,396 bu. |

PROFIT AND LOSS.

| | |
|-------------------|----------|
| Loss: | |
| Wheat..... | \$682.75 |
| Corn..... | 1,585.22 |
| Expense..... | 3,398.80 |
| Total..... | 5,666.77 |
| Profit: | |
| Carried over..... | 976.72 |
| Oats..... | 165.80 |
| Barley..... | 765.16 |
| Rye..... | 380.37 |
| Lumber..... | 234.05 |
| Merchandise..... | 74.91 |
| Coal..... | 203.98 |
| Loss..... | 3,555.78 |
| | 5,666.77 |

NELS TOBETSON,
NELS A. NELSON,
GEO. ENGLAND,
ALFRED ROBERG,
D. A. RUATT.

Board of Directors.

STATE OF NEBRASKA,
Clay County.

Subscribed and sworn to before me this 10th day of February, 1921.

[SEAL.] H. S. KNIGHT, Notary Public.

My commission expires October 23, 1925.

EXHIBIT M.

Seventh annual statement of Farmers' Union Elevator Co., Harvard, Nebr., January 31, 1921, to January 31, 1922.

| | Inventory, Jan. 31, 1921 | Bought. | Sold. | Inventory, Jan. 31, 1922. | Gross Profit. |
|------------------|-----------------------------|--------------|--------------|------------------------------|------------------|
| Wheat..... | \$3,098.35 | \$105,839.90 | \$100,975.17 | \$2,671.25 | \$708.17 |
| Corn..... | 681.20 | 27,838.53 | 21,478.71 | 1,676.10 | 634.08 |
| Oats..... | 1,076.90 | 3,119.97 | 4,313.62 | 10.50 | 120.25 |
| Barley..... | 987.33 | 9,583.75 | 11,779.55 | 136.64 | 1,343.01 |
| Coal..... | 270.00 | 7,803.15 | 3,941.15 | 1,361.45 | 18.75 |
| Merchandise..... | 2,833.00 | 11,542.75 | 14,490.70 | 940.00 | 1,035.50 |
| Total..... | 8,966.88 | 158,978.05 | 164,981.90 | 6,796.64 | 3,833.61 |

ASSETS AND LIABILITIES.

| | |
|------------------------------------|------------|
| Assets: | |
| Cash in bank..... | \$2,006.42 |
| Petty cash..... | 20.00 |
| Furniture and fixtures..... | 576.01 |
| Insurance unexpired..... | 254.92 |
| Real estate and improvements..... | 7,956.45 |
| Inventory, 1922..... | 6,796.64 |
| Profit and loss..... | 1,962.33 |
| Accounts and notes receivable..... | 2,446.62 |
| Total..... | 22,019.39 |

| | |
|---------------------------------|-------------|
| Liabilities: | |
| Capital Stock..... | \$11,400.00 |
| Surplus..... | 26.26 |
| Reserve..... | 1,442.00 |
| Notes payable..... | 6,100.00 |
| Interest accrued..... | 126.13 |
| Drafts on grain in transit..... | 2,925.00 |
| Total..... | 22,019.39 |

Officers: Robert Campbell, president; Lyman Aker, secretary; Thomas A. Siefken, manager; Robert Campbell, Lyman Aker, M. E. Whisenand, William Wendt, Ed. A. Keller.

This is to certify that I have examined the books and accounts of the Farmers' Union Elevator Co., and that the above statement is correct.

E. M. BENGTSON,
Public Accountant.

Dated FEBRUARY 11, 1922.

EXHIBIT N.

[Galva Union Elevator Co., lumber, grain, and coal, Galva, Iowa. Directors: Chas. Carlberg, Ernest Isackson, P. H. McCreary, and F. O. Peterson.]

Financial condition: They do not respond to our written request for a statement in January, 1921.

Authorities report that they have an authorized capital of \$66,000, all common stock and all paid in. They have an investment in elevators and fixtures and machinery of \$15,000. They also have grain to the extent of about \$34,000, and all told their merchandise stock and book accounts, consisting of lumber, coal, and grain, are about \$81,000, giving them assets of around \$100,000. Authorities report they are understood to owe in the shape of borrowed money and accounts receivable \$47,000. Authorities report that they have always been inclined to owe considerable for their investment, and while they are looked upon as representing a net worth of \$25,000, some little care is suggested by those consulted.

Trade opinions: Two trade authorities consulted selling the account in a small way report fairly prompt to slow in payments.

Antecedents: The corporation was organized under the Iowa laws in 1903. Most of those connected are farmers, many of whom represent means.

Fire record: On October 23, 1916, they had a loss by fire of \$7,000, fully covered by insurance. It is understood same was caused by hot box in the machinery.

General remarks: Those connected are well regarded. Prospects are thought to be fairly good.

Late investigation through authorities familiar with their affairs reveals no changes which would materially alter the previous essentials, and authorities, after allowing for usual debts, shrinkages, and exemption, still consider \$35,000 a fair estimate of their net worth.

Reported fairly prompt to slow in payments.

No record of failures.

Those connected are well regarded in all personal respects, of good habits, and average ability; authorities are of the opinion that they are inclined to owe considerable and some care is deemed advisable. Prospects termed fairly good.

EXHIBIT O.

COOPERATIVE MARKETING AGREEMENT.

1. This agreement, made and entered into this _____ day of _____, 19____, by and between _____ of _____ party of the first part, and hereinafter throughout this instrument designated "Seller," and the Equity Cooperative Exchange, a corporation, party of the second part, and hereinafter throughout this instrument designated "Purchaser."

2. Witnesseth, the seller hereby sells, transfers, and delivers to the purchaser, the following-described wheat, durum or rye, viz:

| Commodity. | Variety. | Grade. | Gross. | Dockage. | Net weight. |
|------------|----------|--------|--------|----------|-------------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

and the purchaser hereby purchases said grain upon terms and in the manner following: 3. The seller hereby acknowledges the receipt of the following sum upon account of the purchase price of said grain, to wit: \$..... It is further agreed that the purchase price of all grain shall be ascertained, computed, determined and the balance thereof paid by the purchaser to the seller at the time and in the manner hereinafter set forth and provided in this agreement.

4. It is mutually recognized and agreed between the parties hereto, that under existing and prevalent methods of marketing grain, the growers of said grain are forced to market, and do market, their grain in such enormous volume at the period immediately following maturity of the crop, that the terminal markets of the country are glutted, and the price of such grain unreasonably and unnecessarily depressed and lowered, and further, that many compromise and improvements in the present system of marketing grain might and could be worked out and put into practice if a considerable number of the growers of grain would agree to sell their grain to a central farmers' marketing agency possessing the requisite skill, knowledge, and facilities for the disposition and distribution of such grain. It is further agreed that the purchaser is a farmers' grain cooperative marketing organization, possessing, to a considerable extent, the financial stability, physical facilities, and the knowledge, skill, and information necessary and essential to the proper and orderly marketing and distribution of grain; and that it is the object and purpose of both parties to this agreement, acting in harmony with the United States Grain Growers, Inc., to improve and perfect the system of marketing now in existence, so as to eliminate waste, needless duplication of facilities and effort, and to bring about an orderly, practical, convenient and economical system of sale and distribution.

5. That in order to effect the objects and purposes recited above, the seller has sold said grain to the purchaser without reserve or limitation, and transfers to the purchaser the title of said grain with full and complete authorization to said purchaser to store, market, handle, sell, mortgage, pledge, hypothecate, and, in every other way have and exercise complete and entire title, control, and disposition thereof.

6. The purchaser agrees to and with the seller that it will, to the full extent of its ability, compatible with proper business methods, endeavor to induce the other grain growers to make the same disposition of their grain as is contemplated and provided in this instrument, to the end that the purposes and objects set forth above may be more completely and effectually carried out and accomplished.

7. The purchaser further agrees that it will, on or prior to July 31, 1922, unless otherwise authorized in writing by the seller herein, sell and market all of the grain described in this agreement; and will, on or before said date, or as soon thereafter as the customs and usages of the grain trade provide, remit and pay over to the seller the entire balance owing on account of the purchase price of said grain, as computed and determined under the provisions of this agreement.

8. The purchase price of the grain set forth and described in this agreement, and the balance owing thereon by the purchaser, shall be computed and determined as follows: The purchaser shall market and distribute said grain at such time and in such manner as, in its judgment, shall be to the best advantage of the seller herein, and of other sellers who shall make sale of their grain to the purchaser, in the manner provided and set forth in this agreement. In so marketing and distributing said grain, it is agreed that the purchaser may, at its option, mix or commingle said grain with the grain of others in such manner as, in its judgment, will produce the best results, facilitate the sale or preservation of the same, enhance the milling value thereof, or command the highest price in the market. The purchaser, in the exercise of its best judgment, shall sell the grain set forth and described in this contract, either as a single or separate lot, or in combination with the grain of others, which may be sold to the purchaser under agreements identical, or substantially similar, to the agreement herein set forth. As sales are made of grain sold to the purchaser under agreements identical or substantially similar to this agreement, an accurate account and

record of the proceeds of said grain, and the details of each sales transaction, shall be kept by the purchaser, including the total amount received for grain of each particular kind and grade, with proper and customary allowance for dockage, and after deduction of all actual or customary charges incurred in and about the handling, marketing, transportation and storage thereof, and as commission for the sale thereof, such proceeds shall be prorated and divided between the sellers furnishing said grain in proportion to the value and amount of grains furnished by each seller, as fixed and determined by the purchaser herein in the exercise of its best judgment. It is specifically agreed that in determining the value of grain provided and sold by the respective sellers, as herein set forth, the purchaser shall determine the same with due consideration of the kind, grade, weight, and dockage thereof, and is authorized to make such disposition as it may deem proper of differentials and adjustments growing out of premium and inferior quality of grain within grades, losses in transportation, injury or destruction by elements, or due to natural deterioration, profits and losses arising from overages and shortages, profits and losses, and grade increases and shrinkages arising from processes of mixing, cleaning, storing, and conditioning grain, variation and difference in freight rates from respective points of origin to grain terminals, together with any and all other proper and necessary differentials arising in any manner from the handling and marketing of said grain. It is further agreed that from the first proceeds of the sale of said grain, the purchaser shall, in the case of each seller, deduct therefrom a sufficient sum to reimburse itself for the amount already paid to the seller on account of the purchase price of said grain, together with interest upon said amount at the rate of 8 per cent per annum. The purchaser shall also deduct, in addition to the above items and charges, an amount not exceeding 2 cents per bushel, as compensation for its clerical services, and extraordinary expenses in securing and promoting the cooperative methods of marketing set forth in this and similar agreements. It is also understood and agreed that all losses and expenses reasonably incurred in handling, storing, shipping, or marketing grain, shall be charged against all grain furnished by sellers under agreements with sellers which are either identical or substantially similar to the present agreement. It is also agreed that in fixing the purchase price of grain, which is either identical or substantially similar to this agreement, the kind, grade, and dockage and weight shall, in the first instance, be fixed and determined by the local purchasing agent of the buyer, at the locality or station the grain is bought; but that the ultimate and final determination of the kind, grade, and dockage and weight of said grain shall be fixed and determined by the decision of the State inspection and weighing authorities, whose duties it may be to inspect, weigh, and grade said grain at any terminal market to which it may be shipped in the first instance, either for sale, distribution, storage, or other usual marketing purposes. It is further agreed that if the final determination of the kind, grade, dockage, and weight of any of said grain shipped from a given locality results in a decrease in value or amount thereof, such decrease in value or amount shall be computed and determined by the purchaser and assessed and distributed ratably among and between all sellers of said station or locality in proportion to the number of bushels sold by each; and if such determination, as above provided, results in an increase in value or amount of such grain, such increase shall, in similar manner, be added ratably and in proportion to the value or amount of grain sold by each of or sold by the seller, in the same manner. In any case, however, where an individual or other seller sells grain to the purchaser in the manner above set forth, but without reference or relation to the grain of others, so that the identity of such grain is preserved, and the same actually consigned and shipped to the purchaser at any terminal, and by reason thereof the kind, grade, dockage, and weight thereof is susceptible of actual and accurate determination, any difference in value or amount shall be credited or debited to such individual or seller as the circumstances shall demand without reference to other grain sold from such location or station.

9. The proceeds from the sale of grain set forth and described in this contract, and in other contracts of sale, either identically or substantially similar, shall be paid to the sellers from time to time, the final settlement being made within a reasonable time after the proceeds of the sale of all said grain of each kind and grade, shall be received, deductions made for costs and expenses, as above set forth, and the amount which each of said sellers is entitled to, as above provided, shall have been computed and determined. And, in any event, final settlement shall be made, as above set forth, within a reasonable time after July 31, 1922.

10. In determining the price which the seller herein shall ultimately receive, it is the intention of the parties hereto that the seller shall receive the average net price for grain of the same kind and grade, and sold to the purchaser under contracts, either identical or substantially similar to this agreement; the purchaser to have and exercise

full and final power to fix and apportion differentials, and make adjustments as set forth or referred to herein; and after deduction of the charges and items herein set forth or referred to, and the total amount to which the seller shall ultimately be entitled, computed as herein provided, shall be the total purchase price for said grain, and upon payment to the seller of the balance owing on account thereof, the seller hereby agrees to acknowledge, and does hereby acknowledge, full payment for his said grain.

11. It is mutually agreed and understood that it is the intention of the purchaser herein, and in all similar agreements, to purchase only grain which is of such quality and in such condition that it is suitable for continuous storage for a period of not less than 10 months, in either terminal or local elevators, and it is further agreed that in all cases where grain is actually purchased, as above set forth, the purchaser shall take whatever steps and incur whatever expense as, in its judgment, may be necessary and proper for the proper care, preservation, and conditioning of said grain, and that all expenses so incurred in and about the preservation and care of said grain, after storage in elevators, as aforesaid, shall not be charged or debited to the account of any particular seller or any particular lot of grain, but, on the other hand, shall be debited and charged against the entire amount of grain covered by this and other contracts which are either identical or substantially similar in their nature and terms, and any loss or deduction occasioned by the sale to the purchaser of grain of inferior grade or condition, shall be charged and debited in the same manner as set forth above in this paragraph, and any other losses or expenses occurring in the handling, storing, shipping, and marketing of said grain, and not referred to or described in preceding paragraphs of this instrument, shall be charged and debited in the manner set forth in this paragraph against all of the grain sold to the purchaser under the contract, or other contracts, identical or substantially similar in their nature and terms.

12. It is further agreed, and the seller hereby accepts notice of the fact, that no local agent or representative of the purchaser, except a duly qualified and acting official, has any power or authority to make any alteration, change, or amendment of the printed language set forth in this agreement, and at the election of the purchaser, if such change, alteration, or amendment be made or attempted, the purchaser may either disregard the same, and, in such case, shall not be bound thereby in any way, or at the election of the purchaser the entire agreement shall be null and void and the purchaser shall not be bound thereby, and, upon demand, the seller shall forthwith return to the purchaser any portion of the purchase price which he may have received.

13. The seller hereby represents to the purchaser that all of the grain set forth or described in this contract is free and clear from incumbrance of every kind and nature, and that he has good and perfect right to sell the same. If it should develop at any time that the grain set forth and described in this contract, or any part thereof, is, in fact, subject to a valid incumbrance or lien of any kind, the purchaser is hereby authorized to pay off said lien and incumbrance, or make any payment on account thereof, which it considers advisable, out of the balance of the purchase price at the time owing and unpaid to the purchaser.

14. It is specifically agreed that it is the purpose of the purchaser to place the grain covered by this and similar agreements of sale in actual storage. The purchaser agrees to keep such grain continuously insured against loss by fire in reasonable and usual amount, but it is understood that the purchaser shall not be expected or required to hedge the same or adopt any precaution or insurance against loss by reason of any fall or decline in the market value thereof.

P. O.

EQUITY COOPERATIVE EXCHANGE,

Local Elevator No.

By.....Local Agent.

EXHIBIT P.

THE EQUITY GRAIN GROWER POOL—WHY—HOW—WHEN?

[From the *Courier-News*, Fargo, N. Dak.]

UNITED STATES GRAIN GROWERS (INC.),

Chicago, September 20, 1921.

To the farmers of the Northwest:

Half the exportable surplus of wheat in the United States available before the next harvest has already been marketed, according to reliable statistics. There is scarcely 100,000,000 bushels beyond our domestic needs still on hand. Reliable statistics also show that the world demand for wheat is going to be much greater than last year. The American farmers have produced a crop, which is passing rapidly out of their hands into the hands of consumers and speculators, and this drain ought to be stopped. Herbert Hoover, in a telegram to Farm Bureau officials in Nebraska recently wired:

"Farmers this year marketing wheat at absolutely unparalleled rate, receipts at western primary terminals showing over 130,000,000 bushels during first 30 days of this harvest year as compared with 68,000,000 in same period last year out of larger crop. Proportion of wheat reaching primary terminals to total amount sold by farmers varies. Assuming maximum ratio ever known for this period the terminal figures indicate that at least 265,000,000 bushels have already been sold. On an average ratio a total sale of about 330,000,000 is indicated. In other words, after deducting seed, etc., at least 40 per cent of crop has already passed out of hands of farmers in 30 days.

"This is overmarketing and has undoubtedly depressed price. There is complaint from some sections that farmer is being forced to sell by his creditors. There can be no sound reason for any such pressure in view of liberal provisions for marketing credit both by Federal Reserve Board and War Finance Corporation. Outlook for the export market is, in my mind, as good as last year this time and during past year we have exported all our surplus and some carry-over from previous harvest. True total world wheat crop shows small percentage increase over last year, but much of this is in countries where consumption has been restrained. Beside this, potato outlook in Europe is not so good as last year and wheat largely substitutes for potatoes. Moreover, the de-control of wheat in many countries with this harvest necessitates their carrying larger stocks. No sensible person will predict prices, but our farmers should realize broad economic factors current in their industry and form their own independent judgments."

To meet this situation and help the farmers get a real supply-and-demand price for their grain, we, the undersigned resident directors of the United States Grain Growers (Inc.), propose the following definite plan in this zone, which comprises territory tributary to the markets of Minneapolis-St. Paul and Superior-Duluth. We plan to bring together large quantities of grain in actual storage, which can be sold to millers and foreign buyers, and the sale of which in large quantities to the highest bidders will stabilize the market.

The Government and other financiers are making available a liberal amount of credit through the War Finance Corporation and Federal reserve banks. This money will be paid out to farmers as fast as they haul grain to their country stations. This grain will be shipped to bonded terminal warehouses, where it will be put into actual storage instead of being sold beyond the needs of the market. Money will be borrowed on warehouse receipts to continue advancing in the country. The grain will be sold only as real demand for it occurs, and we believe that by the time final accounting is made the farmers will have received more nearly the actual worth of their grain than they have ever received before, and more than they could receive in any other way this season.

We have everything ready now with which to make this move a success—finances, all the elevator storage space we need at the head of the Lakes and the Twin Cities, the selling machinery to dispose of it (through the Equity Cooperative Exchange, with its nearly \$2,000,000 of net worth and its high business standing), and are ready for business immediately.

The time for talk has passed. The farmers demand action. Our men are now taking the field to bring this cash-on-delivery plan to every grower of wheat and rye. We are not proposing any complicated procedure, but the simple determination of the individual farmers to consign their grain to our chosen agency and receive the advance payment for it, together with their consent that this grain be marketed at such times and in such quantities as, in the judgment of the management, conditions show the best prices obtainable.

J. M. ANDERSON,
Director, St. Paul, Minn.
U. L. BURDICK,
Director, Fargo, N. Dak.
W. J. SCHILLING,
Director, Northfield, Minn.

STATEMENT.

The reproduction of the accompanying letters and telegrams is in answer to continued and repeated charges that the Equity Co-Operative Exchange is seeking with its one-season grain pool, financed by the War Finance Corporation, to undermine the United States Grain Growers (Inc.). The United States Grain Growers (Inc.) is not pooling any grain this year, nor is it marketing any grain otherwise—except through the Equity Co-Operative Exchange. Hence there is no possible conflict. Furthermore, the Equity Co-Operative Exchange, which is acting with full legal and official authority, is still handling all grain of United States Grain Grower members, and J. M. Anderson is still first vice president, director, and sales manager of the United States Grain Growers, as well as president of the Equity Co-Operative Exchange.

The large facsimile letter reproduced, proves positively that the War Finance Corporation loan and plan was eagerly accepted by the United States Grain Growers (Inc.) (and by Mr. Burdick), and the call announcing the success of the Equity Co-Operative Exchange in securing this loan, was signed by the three directors of the United States Grain Growers (Inc.), in the territory affected.

The smaller letter by Mr. Burdick to a North Dakota bank, written as late as November 7, further proves that the United States Grain Growers (Inc.) is not even yet offering any immediate relief and Mr. Burdick frankly states that the United States Grain Growers (Inc.) was unable to secure any War Finance money itself. This, in truth, is the reason why the Equity was willing to share the loan with the United States Grain Growers (Inc.), and this is the reason why it is imperative that the pool should be pushed now. It offers the only immediate and effective relief, and does not claim to be a permanent panacea.

The two telegrams reproduced further prove that Mr. Burdick gave his wholehearted support to this Equity pool, that he telegraphed Mr. Anderson twice to rush the launching of the campaign in Minnesota, severely criticized those who were responsible for delays, and that he fully realized the necessity for getting this financial relief to farmers as soon as possible. Why does Mr. Burdick now declare that this whole proposition was a conspiracy to undermine the United States Grain Growers (Inc.)?

The Equity can do something—now—this season. It has the finances, the organization, the facilities, the strong following in several States. And by putting on this pool it is not tying farmers up for the future, nor in any way interfering with any other organization.

Now is the time to stick together for better marketing. We are now accepting No. 5 wheat for the pool, which will still further extend its benefits to the grain growers. Ship the spring wheat to Minneapolis.

EQUITY CO-OPERATIVE EXCHANGE.
The Farmers' Own Co-Operative Grain and Livestock Selling Agency.

[Telegram.]

FARGO, N. DAK., September 23, 1921.

J. M. ANDERSON,

President Equity, Globe Building, St. Paul, Minn.:

Minnesota Farm Bureau, according to reports, demands a separation from the Equity. Such a request is unreasonable and impossible. Work should proceed backed by farm bureau. If bureau refuses, work should and will move forward immediately.

U. L. BURDICK.

[Telegram.]

FARGO, N. DAK., September 24, 1921.

J. M. ANDERSON,

Globe Building, St. Paul, Minn.:

School here great success. Minnesota men enthusiastic. Going to Washington this afternoon. Don't delay. Put it over in Minnesota. Farm Bureau can't fight us successfully. Critchfield looking after my office, but turn him loose in Minnesota at once. Get on your war paint and fight. You have nothing to gain from Potter; all to gain from Minnesota farmers. Hit the line hard.

U. L. BURDICK.

[Telegram.]

NOVEMBER 7, 1921.

CITIZENS STATE BANK,

Grano, N. Dak.

GENTLEMEN: There is no way that the U. S. Grain Growers can advance money on pooled grain. We can not get credit from the War Finance Corporation until we are a going concern. We will be a going concern as soon as we open up to do business at the principal markets. That will not be until next spring, as we are in the midst of organizing.

The Equity Cooperative Exchange borrowed \$15,000,000 of the War Finance Corporation for the purpose of advancing money on pooled grain. They are a going concern, and could get the money, and, in fact, we helped them as much as we could in getting it. I am sending a copy of this letter to Mr. B. H. Critchfield, organizer for the Equity Pool, and he will write you how the loans are to be obtained.

Thanking you for your letter, I am,

Yours very truly,

U. L. BURDICK, Director.

ONE OF THE PURPOSES BEHIND THE EQUITY POOL.

The paid advertisement inserted first in the Forum of November 25, presenting certain information over the signature of the Equity Exchange, has been brought to my attention. In regard to the same I wish to make the following charges:

1. The matter in said advertisement was prepared by B. H. Critchfield, field manager of the Equity pool, with the knowledge and consent of J. M. Anderson, president of the Equity Exchange.

2. The United States Grain Growers have never been opposed to the Equity in their plan to advance money on pooled grain for 1921. My letter quoted in the Equity advertisement is proof of this.

3. Personally I was in favor of giving what assistance I could to the Equity in securing the advance by the War Finance Corporation. I not only signed the application (which appears in the Equity advertisement) but personally appeared before the War Finance Board in Washington and answered certain inquiries raised by those not in favor of Government aid to the Equity.

4. The only thing I have been opposed to is the attitude of the Equity officials in carrying out the plan of the pool. In this connection let me say that B. H. Critchfield, now field manager for the Equity pool in North Dakota, was also field manager for the United States Grain Growers in North Dakota until September 12, 1921. In order to further this work I found on my return from Washington that Mr. Critchfield had made the following public statements in reference to the United States Grain Growers:

(1) "That all the United States Grain Growers now had to offer was a good idea and a lot of unpaid bills."

(2) "Do not ship grain to the United States Grain Growers as they are all in and creditors might attach the grain."

The two statements were made by B. H. Critchfield and I have evidence beyond a reasonable doubt of this.

Further: Mr. Bergh, official of the Equity Exchange, came to Fargo to start out the pool and stated, "The United States Grain Growers are all in and the Equity is going ahead to build on the failure of the United States Grain Growers."

Mr. J. M. Anderson made the following statement to me and to others whose affidavits I have: "The United States Grain Growers are worse than all in and that it was dangerous for the Equity to receive grain of the United States Grain Growers" and "here is a chance to put over the Equity bigger than ever."

These statements coming from Anderson and Bergh convinced me that the purpose of the Equity managers was not alone to pool grain and advance money to farmers but to build the Equity at the expense of the Grain Growers. I paid very little attention to what B. H. Critchfield said, as I was convinced that very few people would believe him, whether right or wrong. But some farmers did in fact believe what he said.

5. That B. H. Critchfield first advertised the idea of the pool in bad type as a United States Grain Growers' venture, and after I asked him to destroy that literature, his fertile brain conceived the idea of putting the following on his letterheads and bills: "Equity Grain Growers' pool." Many farmers told me that they supposed it was the United States Grain Growers' pool, and that idea was put forward by Critchfield for the purpose of getting business for the Equity pool. No organization could permit their name

be put forward in the Equity pool after the statements were made by Critchfield and Anderson as above set forth. Furthermore the United States Grain Growers never authorized the use of their name in connection with the Equity pool in any manner.

6. Mr. Anderson is vice president of the United States Grain Growers and president of the Equity Exchange. It is impossible for him to remain loyal to the United States Grain Growers in view of the statements made by him.

7. The following is what the present secretary of the Equity says of Anderson: "Your president (Anderson) has originated very few new ideas; has simply been idle until somebody suggested something and then depended upon such party for further action."

In the case of the Equity advertisement Anderson evidently depended upon Mr. Critchfield.

The attorney for the Equity made the following statement in reference to Anderson: "It is too much for Mr. Anderson when the receipts were over 10 cars a day; that he was nothing more or less than tea in a boiling teapot bobbing up and down and accomplishing nothing."

It is quite unnecessary for me to give any opinion about Anderson, since his own officers seemed to have diagnosed his case some time ago.

8. The messages quoted in the Equity advertisement were messages sent in reference to putting over the organization work of the United States Grain Growers in Minnesota and refer to nothing else.

9. The United States Grain Growers have always held to the theory of selling direct to millers and exporters. Can Mr. Critchfield or his chief lieutenant, J. M. Anderson, say they have not sold grain consigned by members of the United States Grain Growers to members of the Chamber of Commerce, Minneapolis? If the Equity must sell to members of the Chambers of Commerce, they admit more than the United States Grain Growers are willing to do.

10. Dishonest purposes of the leaders of the Equity pool have precipitated this unpleasant controversy. Their purpose to put over an honest-to-God pool of grain for 1921 always has had and has now my approval. But their insipid plan to build up the Equity by tearing down the United States Grain Growers can never have my support and I believe will never be supported by the farmers of North Dakota. When the United States Grain Growers (Inc.) is dead and properly buried it will be time to talk "failure."

U. L. BURDICK.

EXHIBIT Q.

MARCH 24, 1922.

Mr. R. I. MANSFIELD,
Care of Bartlett Frazier Co.,
111 West Jackson Boulevard, Chicago, Ill.

MY DEAR MR. MANSFIELD: Replying to your esteemed favor of March 23, the one-year pool contract offered in Minnesota and the Northwest is called the grain growers' equity contract. It has since developed, however, that the United States Grain Growers (Inc.) would not sanction this contract, neither were they in any way connected with it. The plan originated with Mr. J. M. Anderson, vice president, at that time, of the United States Grain Growers and I understand a business was solicited for this one year whereas on Mr. Anderson's United States Grain Growers stationery. This naturally left the impression that the United States Grain Growers (Inc.) was back of the venture, whereas in reality that body did not even learn of the deal until it was well under way.

I think, personally, that this is what caused the split between the grain growers and the equity. So far as I can learn the only contract offered by the grain growers in the Northwest is the same as that used in Illinois. I dare say, however, that many are under the impression that they have signed a one-year grain growers contract, whereas it is nothing of the sort.

If a copy of the equity one-year contract would be of value to you, let me know and I will attempt to get a copy for you.

With kindest personal regards, I remain,

Yours very truly,

JMA:FM.

EDITOR.

BIRD ISLAND, November 6, 1921.

Mr. J. M. ANDERSON, St. Paul, Minn.

MY DEAR JOHNEY: Your letter to the Bird Island Farmers' Elevator Co. was referred to me for reply and carefully read. In reply will say it looks very alluring and I was very much tempted to nibble at the bait, had I not seen Johnney at the other end of the line. No, my dear boy, when we realize that every elevator company that has done business with you is in the hole to the tune of from \$2,000 to \$15,000, while the Bird Island is over \$7,000 to the good upon last year's business, and has had no trouble doubling its bond to the State, while the others can give no bond at all, we feel that we are blessed by dealing with honest men, having wise and honest men to handle our products. Furthermore, we are strictly opposed to gambling. Should we be tempted to do so we would want to handle the cards ourselves. As to the funds, we have never had any trouble to get all we needed and are getting at reasonable rates.

With deep sorrow, I am,

Sincerely yours,

CHAR. KENNING,
Secretary Bird Island Farmers' Elevator Co.

EQUITY COOPERATIVE EXCHANGE,
GRAIN EXCHANGE BUILDING, FOURTH AND ROBERT STREETS,
Farmers' Selling Agency, St. Paul, Minn.

DEAR SIR: You have undoubtedly heard much during recent weeks about the \$15,000,000 loaned by the War Finance Corporation to the Equity Cooperative Exchange. This loan was made directly to this organization on its own corporation notes, secured by terminal warehouse receipts as collateral. The terms of this loan require that the Equity Cooperative Exchange be given the authority to sell the grain paid for by these Government funds, the War Finance Corporation declining to allow the loan except upon the basis that sales authority was to be concentrated in a single financially responsible organization. It was therefore found necessary to draw up the form of a brief cooperative marketing agreement to provide for this and other details, a specimen copy of which is herewith inclosed.

This Government money is available at the rate of 60 per cent of the local value of wheat, rye, or durum delivered, but final accounting is based upon the grade given the grain when inspected by Federal or State inspectors at terminals. Before it is available the grain must be in licensed terminal warehouses authorized to issue negotiable warehouse receipts.

We have succeeded in getting this credit, but we need cooperation in getting the greatest use out of it. We will appreciate the cordial assistance of banks and farmer elevator companies in making it available to farmers, and believe that they and we can mutually do much to relieve, not only farmers, but the general condition of other business dependent upon agricultural prosperity.

The United States is now 76,000,000 bushels short of the amount of wheat it held one year ago, and all credited information indicates there is going to be a world shortage in bread grains. Yet our prices are disastrously low, to the disadvantage of the general community. The thing to do now, is obviously to withhold for a time as large a portion of this grain as possible, to hinder further depression and see that it is in position to give maximum results to growers when finally sold.

Kindly advise us if you will assist in this undertaking.

Respectfully,

EQUITY COOPERATIVE EXCHANGE,
By J. M. ANDERSON.

Grain Form No. 22.

SHIPPING NOTICE.

[Equity Co-Operative Exchange, Superior, Wis., Board of Trade Building; St. Paul, Minn., Fourth and Cedar Street.]

Station _____ Date _____, 192__.
 At _____
 We are to-day shipping you at _____ cars as follows:

| Car No.— | Initial. | Road. | Capacity. | Kind of grain. | Grade and dockage expected. | Load (Weighted, Estimated.) | Amount of draft. | Instructions. |
|----------|----------|-------|-----------|----------------|-----------------------------|-----------------------------|------------------|---------------|
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NOTE.—If estimated load, show here the test weight and depth of load in inches
 Remarks
 Shipping instructions: Be sure that the car is well covered, making special efforts to detect leakage in grain doors. When loaded bill car to Equity Co-Operative Exchange, St. Paul, Minn., or Superior, Wis. We will honor draft for the value of bill of lading for 75 per cent of the value of contents. Be sure to get your railroad agent to give you a yellow order bill of lading for your own protection.

Shipper
 By
 Always give weights as near as possible. Send advice promptly of all shipments. If car is billed to Superior send advice there. Be sure to specify if car is to be applied on sale, or futures bought against it

SHIPPING INSTRUCTIONS FOR POOLING GRAIN.

The one-year Equity grain grower pool is now inaugurated. By a loan to the Equity Cooperative Exchange the Government, through its War Finance Corporation, has made available \$15,000,000 for advances on pooled grain after it has been stored in terminal elevators.

All grain for the pool must be consigned to the Equity Cooperative Exchange. Spring wheat must be billed to Minneapolis, Minn., and durum and rye to Superior, Wis. These are the only grains that will be pooled this year, and no grade below No. 4 can be accepted.

An advance of not exceeding 60 per cent of the local market value of a shipment can be secured by any grain grower who meets the following requirements:

1. The cooperative marketing agreement must be signed and the original returned to our St. Paul office before any advance can be had or draft honored. This agreement gives the Equity the right to handle and dispose of the pooled grain.

2. Shipments of carload lots only can be accepted for the pool.

3. When grain has been loaded in cars, get an order bill of lading, take it to your local bank, and make a draft for an amount not exceeding 60 per cent of the local market value of your shipment. (Do not overgrade nor overweight. The State inspection bureau's weights, grades, and dockage will govern.) Clear the draft through your bank, attached to the order bill of lading and the cooperative marketing agreement, which must be properly executed and signed. This must be done the same day that the car is shipped.

4. If you hold grain or storage tickets for grain of one grade in less than a carload lot, you should combine with a neighbor who has similar grade and ship the car jointly. Take your tickets to the elevator that issued them and request that your grain be shipped to the Equity Cooperative Exchange for pooling. If the local elevator can not make local delivery within a few days' time ask the manager to give an order with check attached, instructing the Equity Cooperative Exchange to buy at the terminal market the amount of grain represented by your storage tickets, but in not less than carload lots. If the elevator refuses to give such an order, then demand a satisfactory order on some commission house for terminal delivery of your grain to the Equity Cooperative Exchange. In case of such terminal delivery, no advance can be made nor draft honored until the grain has been placed in our pool and a terminal warehouse receipt issued. Therefore, get local delivery if possible. But in any case the essential thing is to get the actual grain into the pool as soon as possible.

5. In case of track loading where the uncertainty of weights and grades is involved, no advance can be made until the State weight, grade, and dockage have been secured. You must so specify in your instructions if the car is track loaded.

6. When two or more persons ship a car jointly, those in whose name returns are to be made must sign the bill of lading and draft, if one is drawn.

Your attention is directed to paragraph 13 in the cooperative marketing agreement, which represents your grain to be free from encumbrance. If you can not give clear title, try to get the party or parties who hold interest in your grain to pool their equity and inform us of all liens and claims.

If you have no cooperative marketing agreement or you desire further information, address

EQUITY COOPERATIVE EXCHANGE,
 St. Paul, Minn.

FARGO, N. DAK.

DEAR SIR: For the present issue storage tickets to members of the United States Grain Growers and mark the ticket and stub "G. G." When you have accumulated a car of wheat or other grain ship it to the United States Grain Growers, care of Equity Cooperative Exchange, either at Duluth, Superior, or Minneapolis. Draw a draft for 75 per cent of the local price and attach it to a uniform bill of lading. Take the draft to your local bank and cash it. If your banker is in doubt have him wire the Equity Exchange. After cashing the draft as above outlined you can pay any member who has delivered grain 75 per cent of the local price and indorse the amount on the back of the storage ticket. The balance due on the car will be paid you when the car is sold.

Until we arrange for sufficient finance to pay all cash at time of delivery, the grain will have to be handled as above outlined. We expect, however, to be in a position within a few days to pay for the grain in full when demanded. In the meantime we would like to have your cooperation and that of your banker and the farmers. Remember this is the farmers' own organization to sell direct. All we propose to do is stabilize prices by marketing in an orderly fashion and by eliminating gambling. It is a simple, straight economic undertaking. Along the way misrepresentation and falsehood by our enemies will not be found wanting. We think the farmer will stick, and if the leaders do as well there is nothing that can finally stop the farmer in his direct route to market.

May we have your sincere and earnest cooperation?

Yours sincerely,

USHER L. BURDICK, Director.

EXHIBIT R.

WHO PAYS THE BILLS?

PIRED ISLAND, MINN., March 18, 1922.

We hear much about the United States Grain Growers' Inc., that is going to save so much for the farmer in marketing his products, but few seem to give this any more thought after hearing the promoters in their glib way picturing the future. Let us for a moment give this our fair and unbiased thought. I believe all will agree with me, that in order to handle and market products cheaply and successfully we must practice the closest economy. Is this being done by the United States Grain Growers (Inc.)? Let us carefully go over their expense in organizing as admitted by them:

| | |
|---|-----------|
| 4 officers, at \$10,000 per annum and expenses..... | \$40,000 |
| 300 solicitors, at \$3,500 per annum and expense (Mr. Myers said over 300 in the grain dealers' meeting)..... | 1,080,000 |
| 2 officers, at \$7,600 and \$6,000..... | 13,600 |
| Approximate expense..... | 100,000 |
| Office rent, Chicago, less furnishing..... | 30,000 |
| Furnishing and equipment..... | 20,000 |

Total..... 1,283,600

Figuring 313 days makes it a daily expense of \$4,100 for each and every working day for organizing only, and not a bushel marketed. It is no wonder Mr. H. N. Owens, in writing me on his return from Chicago, after visiting Mr. Eckhardt in that \$30,000 per annum office building occupied by the United States Grain Growers (Inc.), says: "I can not see where they expect to get the money to pay for all this. They must be terribly in debt already, with no prospect of doing business for some time to come. That immense floor looked about as bare of business as a December cornfield in Minnesota."

When at Wakefield, Nebr., where I called attention to this, their speaker admitted this, but said: "We are going to build up something that you all may feel proud of." He did not say whether it was the office room or an enormous debt. When I consider the old and cheap farm buildings that I saw in Nebraska, I wondered how they really took it.

Right here is the greatest drawback to movements of this kind. Men put in positions handling funds contributed by others forget that it is the hard-earned dollars of their fellowmen entrusted to them to get them better returns, but spend it lavishly upon themselves and coworkers. And for this reason we find one after another of these enterprises meeting with disaster. As long as the farmer will blindly follow these promoters and give them their hard-earned dollars, just so long will they be left to morn over the result.

Last March I called attention to the unworkable part of their plan. To-day they have proven and admitted that I was correct, as they have not been able to make any part of their plan stand when put to test, except that they have been able to get some to part with their \$10, and now promise to work out an entire new plan, possibly a State sales agency as I have often suggested. But if we consider the enormous debt already contracted that will require a heavy toll from grain consigned to them in the future, we can see but little hope for some time to come to market our crops through them and get more real money in return than under the present marketing system. And as Mr. Shorthill, secretary of the National Farmers Grain Dealers Association, wrote me recently: "I shall withhold my opinion on this until they can tell me what they are going to do and how they are going to do it." I constantly receive letters from men of this kind, that for certain reasons do not feel at liberty to express their opinions openly as they would like to; positions and business have to be considered. In this we farmers are not in their class and need have no fear that it will have any effect on our crops; therefore let us give this our careful thought and not hesitate to tell our neighbors what we think, but stop, look, and listen before we cross. Too many of us have in the past signed on the dotted line, and later asked the courts to free us from our obligation. There is no hurry necessary, as they tell us they will not be able to handle any of the 1921 crop and possibly none of the 1922. But let us carefully consider their now expensive procedure, and merely wonder who is going to pay the bill. This is and should be a business proposition: let us consider and treat it as such.

Sincerely yours,

CHAR. KENNING,

Secretary Bird Island Farmers Elevator Co.

WHAT NEXT?

After the close of our annual convention I was accosted by one of the delegates in attendance with the words, "Now some one else will get a chance to go to these hearings at Washington besides Kenning." I asked him what he meant. "Well," he says, "you have always monopolized this." I said, "I have only gone when asked to go and hope I did some good. As to others not having a chance." I said, "Mr. Nelson went with me on several legislative hearings, but never would take any part in the discussion." When Nelson, Eyer, A. E. Anderson, and myself met with the traffic association at Minneapolis relative to the advisability of sending a representative delegation to Chicago to appear before the Interstate Commerce Commission to try and defeat the attempted repeal of the shipping in transit rate, which meant 4 cents a hundred saving to the producer, it was decided that each association send one delegate, the traffic association paying the expense. Mr. Benson then spoke to Mr. Nelson, saying, "Now, send your best man," to which Mr. Nelson replied, "Well, I could probably go." Mr. Benson then said both of you go, we will pay the expense; and we went, arriving at Chicago. When we were about to be called upon, Mr. Eyer and Mr. Anderson asked me to go first, saying you are more familiar with this. I did so, as usual always willing to take the hard knocks. After myself, Anderson was called, then Eyer. While Eyer was on Nelson came to me, saying, "You will not need me; I don't know much about this anyway, and I have some friends here I would like to visit." I told him to do as he wanted to, and he did. When Eyer got through and there was a call for the next witness, no one responded, and Eyer and Anderson came to me, saying, "Where is Nelson?" "He is visiting some of his friends," and I told them what he had said to me, when both spoke up, saying, "What, when we need every witness and all the evidence we can get," and added a few not very complimentary remarks.

When at the meeting of the National Association last March, Mr. H. N. Owens, on his way to Washington with delegates to a grade hearing before the Commissioner of Agriculture, stopped off at Chicago and asked that the National also send a delegate. It was finally decided to send one, and Mr. Meisch was selected just when I was pre-

paring to return home. Meisch and Nelson came to me and asked me to go. I told them I was really not prepared to go and would prefer that one of them would go, as I this is monopolizing, I am guilty, and hope that they insisted that I go, and I went. If but they must not forget what they are going for, and go visiting. The man that goes there and does his duty will find some real work and find very little time to go visiting.

I hope this will clear the minds of those that have been led to believe that I monopolized all the snags and high honors.

Sincerely your humble servant, just plain

(CHARLES KENNING.

[Reprint of American Farm Bureau Federation Weekly News Letter.]

ACCOUNT OF THE FIRST ANNUAL CONVENTION OF THE UNITED STATES GRAIN GROWERS' CONVENTION IN CHICAGO, MARCH 21, 1922, CONTAINED IN THE ISSUE OF MARCH 23, 1922.

Open-door rules, United States Grain Growers' meeting.—The first annual convention of the United States Grain Growers (Inc.) met in the Chicago office on March 21. The meeting was open by unanimous vote of the board of directors in session on the Saturday previous to the convention. This was a victory for the open-door principle championed by the American Farm Bureau Federation.

The petty differences between the factions on the board of directors were early to the fore. Because of these differences the United States Grain Growers reported a membership by tens of thousands instead of hundreds of thousands and showed a deficit instead of a surplus in the treasury.

During the two days of the convention the delegates heard little about the cooperative marketing of grain. Most of the time was consumed by jockeying back and forth to secure control of the convention for one side or the other. The idea of sinking personal ambitions and the advantages of leadership in a magnanimous effort to render a real economic service through the cooperative marketing of grain did not engage the attention of the leaders. It was a political convention and not a business meeting.

The Farm Bureau has pledged itself to see that its members get improved methods of marketing. The Farm Bureau has sponsored, fostered, and financed the United States Grain Growers (Inc.) in an effort to secure harmony among the various grain marketing organizations. Whatever happens to the United States Grain Growers, the Farm Bureau will continue its earnest efforts to secure a more efficient system for marketing grain.

The crisis comes.—The crisis in the convention and in the history of the United States Grain Growers came on the second day just before the election of directors. The old board of directors had distributed the membership for the purpose of electing the new board of directors as follows:

| District. | Number of members Jan. 17, 1922. | Number of directors. | District. | Number of members Jan. 17, 1922. | Number of directors. |
|---|----------------------------------|----------------------|----------------------------|----------------------------------|----------------------|
| North Dakota..... | 5,520 | ..... | Nebraska..... | 7,868 | 4 |
| Minnesota and the North- west..... | 1,213 | ..... | Oklahoma..... | 2,643 | 2 |
| Iowa..... | 3,440 | 3 | Kansas..... | 853 | 2 |
| South Dakota..... | 398 | 2 | Colorado and westward..... | 801 | ..... |
| Illinois..... | 10,232 | 5 | Missouri..... | 4,664 | 2 |
| Wisconsin, Michigan, Indiana and eastward..... | 4,426 | 2 | Total..... | ..... | 20 |

The resolution further provided that one director at large be nominated, and stated that "Nominations for directors from a district shall be made by the delegates of the district. Eleven directors shall be elected for a two-year term, 10 for one-year term. Directors for the two-year term shall be selected by delegates from the State or district from which nominations are made, but in no case shall over half the directors on a one director."

Here the two factions—one led by President C. H. Gustafson and the other by the Illinois Agricultural Association, the chief creditor—were openly disclosed. A test vote on a motion by Prof. H. C. Filley, President Gustafson's alternate, to revise

the discharged rules committee revealed the fact that there was a substantial majority to support a rule of order permitting delegates to write in names when they came to vote on the nominations submitted by the districts. This would permit the convention to elect the majority's choice as director from any district. It was then that Illinois notified President Gustafson that the \$157,000 borrowed from the State Farm Bureau must be repaid at once. Professor Filley immediately moved to adjourn until 8 p. m. This carried in order to permit opportunity for compromise.

There were 47 delegates to the convention representing 41,791 members signed prior to January 17, 1922. In opening the meeting President C. H. Gustafson declared that "what you do at this meeting will either make or break the organization." Secretary Frank M. Myers; general counsel, Clifford Throne; director of information, Leo C. Moser; H. W. Avery for the statistical committee; and C. H. Hyde for the pooling committee, reported on the first day. The report of Treasurer William G. Eckhardt elicited most interest. The financial condition of the United States Grain Growers (Inc.) is recapitulated as follows:

Notes payable for period ending Feb. 28, 1922 (same as statement Dec. 31, 1921):

| | |
|----------------|------------|
| Kansas..... | \$2,000.00 |
| Illinois..... | 157,000.00 |
| Missouri..... | 7,450.00 |
| Ohio..... | 6,000.00 |
| Indiana..... | 22,000.00 |
| Minnesota..... | 2,000.00 |
| Iowa..... | 6,250.00 |
| Nebraska..... | 8,000.00 |
| Total..... | 210,700.00 |

EXHIBIT S.

STATEMENT OF ASSETS AND LIABILITIES FOR PERIOD ENDING FEBRUARY 28, 1922.

| | | |
|--|------------|--------------|
| Assets: | | |
| Current assets | | |
| Petty cash..... | \$1,000.00 | |
| Cash on hand..... | 12,893.07 | |
| Accounts receivable— | | |
| Advanced to F. F. Corporation..... | 16,603.76 | |
| Advanced to Com. of 17..... | 87.50 | |
| | | 16,691.26 |
| Due from members— | | |
| Notes receivable..... | 139,086.50 | |
| Post dated checks..... | 2,700.00 | |
| Members' checks returned..... | 5,379.25 | |
| | | 147,165.75 |
| Stamps..... | 285.10 | |
| Cash advances..... | 12,840.65 | \$190,875.83 |
| Investments— | | |
| Farmers' Finance Corporation..... | 12,100.00 | |
| United States Grain Growers' Sales Co..... | 350.00 | |
| | | 12,450.00 |
| Sinking fund—Fund for payment of notes. | | \$37,500.00 |
| Fixed assets— | | |
| Equipment..... | 14,159.51 | |
| Automobiles..... | 2,404.08 | |
| | | |
| Total..... | 16,563.59 | |
| Less depreciation reserve..... | 1,855.92 | |
| | | 14,707.67 |
| Deferred charges— | | |
| Stock-room supplies..... | 4,794.76 | |
| Prepaid rent..... | 4,166.67 | |
| Malters Building alterations..... | 5,198.65 | |
| Preliminary expense..... | 3,352.63 | |
| | | 17,512.71 |
| Excess of expenses over income..... | | 102,524.62 |
| | | 375,570.83 |

Liabilities:**Current liabilities—**

| | | |
|--|-------------------|-------------------|
| Notes payable—general..... | \$226,000.00 | |
| Notes payable—Munn romer..... | 3,188.33 | |
| Accounts payable— | | |
| General..... | 76,474.58 | |
| Checks held..... | 12,100.00 | |
| Officers and State directors..... | 8,250.74 | |
| Interest accrued..... | 10,066.92 | |
| | <u> </u> | |
| Total current liabilities..... | | \$336,080.57 |
| Reserves— | | |
| Receivables reserved for payment of notes..... | \$37,500.00 | |
| Organization department expense..... | 1,990.26 | |
| | <u> </u> | |
| Reserve..... | | 39,490.26 |
| | | <u> </u> |
| | | 375,570.83 |

STATEMENT OF INCOME AND EXPENSES FOR PERIOD ENDING FEBRUARY 28, 1922.

Income:

| | |
|--|--------------|
| Memberships..... | \$486,310.00 |
| Cash discounts earned..... | 247.38 |
| Interest on bank balances..... | 139.17 |
| Interest on notes receivable..... | 235.16 |
| | |
| Excess of expenses over income..... | \$486,931.71 |
| | 102,524.62 |

589,456.33

Expenses:

| | |
|-----------------------------|------------|
| Organization..... | 351,882.27 |
| Finance..... | 23,433.81 |
| Information..... | 83,057.75 |
| Legal..... | 30,352.39 |
| General administration..... | 35,772.65 |
| President..... | 16,836.91 |
| Secretary..... | 13,327.28 |
| Board of directors..... | 13,763.43 |
| Executive committee..... | 7,528.80 |
| Sales department..... | 538.12 |
| Interest..... | 11,107.00 |
| Depreciation..... | 1,855.92 |
| | |
| | 589,456.33 |

| State. | Expense. | Organiza- tion cash income. | Cash profit or loss. | Loans. | Amount expended paid. | Amount. | Contrib- uted over- head. |
|--|------------|-----------------------------------|----------------------------|--------------|-----------------------------|------------|---------------------------------|
| Colorado..... | \$6,880.54 | \$3,725.00 | \$1,155.54 | | \$5,025.55 | \$696.45 | Per cent. 10.025 |
| Illinois..... | 57,368.73 | 97,300.00 | 9,831.27 | \$157,000.00 | 73,999.46 | 180,200.54 | 64.1 |
| Indiana..... | 29,783.54 | 42,535.00 | 12,791.46 | 22,000.00 | 24,730.98 | 39,764.02 | 13.5 |
| Iowa..... | 30,887.45 | 36,975.00 | 6,087.55 | 6,250.00 | 25,864.99 | 17,240.07 | 5.2 |
| Kansas..... | 14,833.11 | 8,755.00 | 6,128.11 | 2,000.00 | 11,267.66 | 512.66 | |
| Minnesota..... | 13,230.07 | 17,320.00 | 5,930.07 | 2,000.00 | 7,719.43 | 1,600.57 | .33 |
| Missouri..... | 30,585.02 | 39,570.00 | 8,984.98 | 7,450.00 | 34,425.33 | 12,699.07 | 4.6 |
| Nebraska..... | 49,222.10 | 58,685.00 | 9,462.90 | 8,000.00 | 38,963.31 | 27,721.69 | 8.4 |
| North Dakota..... | 12,552.19 | 18,775.50 | 12,780.69 | | 10,414.74 | 11,630.24 | |
| Oklahoma..... | 27,687.37 | 12,305.00 | 7,382.37 | | 20,373.10 | 68.10 | |
| South Dakota..... | 5,259.21 | 12,725.00 | 2,534.21 | | 3,218.89 | 498.89 | |
| Other loans and miscel- laneous receipts..... | | | | | | 4,145 | |
| Total..... | | | | | | 100 | |

¹ This item includes notes and post dated checks cashed.

² This item includes notes and post dated checks cashed.

³ This item includes (1) overhead expense of operation, (2) purchase of equipment, (3) deficit in other States.

EXHIBIT T.

[From the Chicago (Ill.) Sunday Tribune, March 26, 1922.]

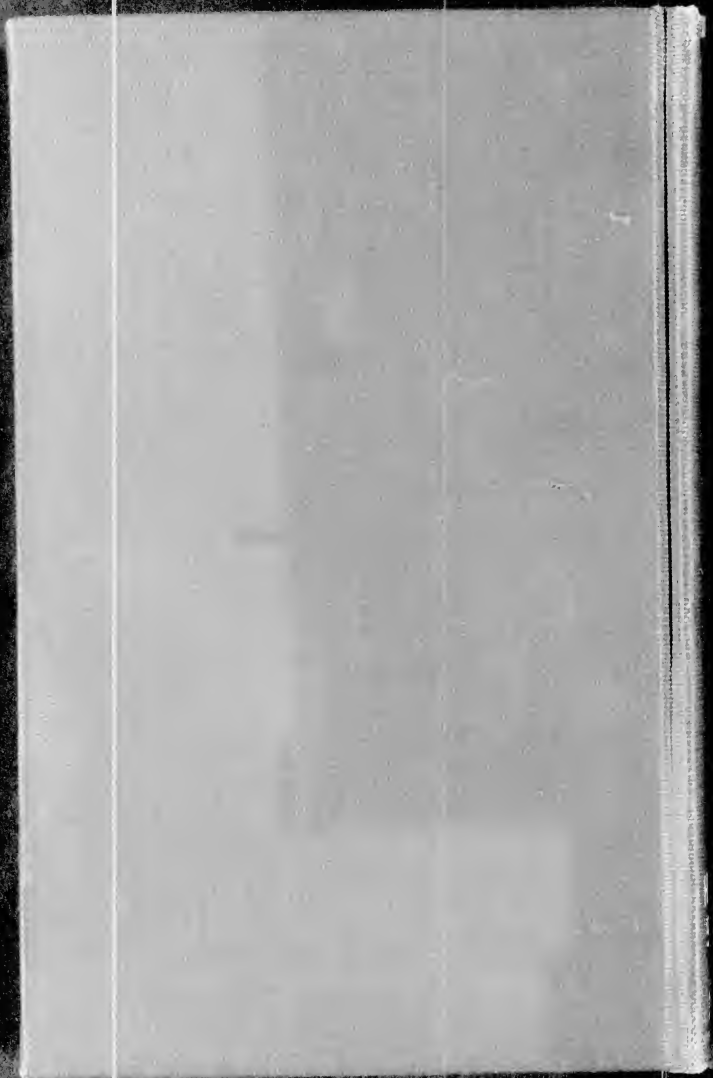
GRAIN GROWERS HALT DRIVE FOR NEW MEMBERS.

Solicitors for membership in the United States Grain Growers (Inc.) in all parts of Illinois received directions yesterday to cease activities. This unexpected move made by the antiadministration faction after its defeat in the election of the board of directors of the farmer owned grain marketing organization at the first annual convention, which closed Friday.

"As we have more grain under contract in Illinois than it seems possible to handle by July 1 we are discontinuing organization work in Illinois until sales agencies are opened at our principal markets." This was the statement sent out by Robert N. Clark, director of the organization work in this State.

Before leaving Chicago minority delegates from Illinois, North Dakota, Kansas, Oklahoma, Texas, Minnesota, and Michigan, representing 46 per cent of the voting strength at the convention, made provisions for a committee to take any necessary action that may arise in the controversy with the new board.

(Whereupon at 10.25 o'clock a. m., the hearing was closed and the committee adjourned.)



**END OF
TITLE**